

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2500

is \$1,500 which is an decrease of (\$2,900) or (65.91%).

Mr. Ray noted the request for closed circuit television scanner and monitor had been disallowed.

700: The 1969-70 Authorized is \$2,300 and the Governor's Request is \$2,900 which is an increase of \$600 or 26.09%.

900: The Governor's Request is \$4,900 and Mr. Ray asked that the vehicle rental, code 930, of \$4,900 be checked.

Other

The 1969-70 Authorized is \$694,200 and the Governor's Request is \$857,100 which is an increase of \$162,900 or 23.47%.

Mr. Ray requested that Mr. Croft review this part of the budget by making a comparison with the rest of the budget and then to report this back to the committee. Mr. Ray said perhaps they could bring back some of the prisoners to Alaska. Mr. Branton said they are making referrals outside based upon bed space available in Alaska.

100: The 1969-70 Authorized is \$5,600 and the Governor's Request is \$17,600 which is an increase of \$12,000 or 214.29%.

200: The 1969-70 Authorized is \$13,900 and the Governor's Request is \$15,200 which is an increase of \$1,300 or 9.35%.

300: The 1969-70 Authorized is \$666,800 and the Governor's Request is \$810,800 which is an increase of \$144,000 or 21.60%.

400: The 1969-70 Authorized is \$4,700 and the Governor's Request is \$4,600 which is an increase of (\$100) or (2.13%).

700: The Governor's Request is \$2,300.

Care of Juveniles

Alcantra Youth Camp The 1969-70 Authorized is \$266,300 and the Governor's Request is \$326,700 which is an increase of \$60,400 or 22.68%.

100: The 1969-70 Authorized is \$180,800 and the Governor's Request is \$213,000 which is an increase of \$32,200 or 17.81%.

Mr. Ray noted there is an increase in overtime of \$960 and a vacancy and turnover factor of \$1,800. They requested two new positions and were allowed one.

200: The 1969-70 Authorized is \$2,400 and the Governor's Request is \$3,100 which is an increase of \$700 or 29.17%.

Mr. Ray asked that the contingency be marked.

300: The 1969-70 Authorized is \$29,500 and the Governor's Request is \$22,600 which is a decrease of (\$6,900) or (23.39%).

400: The 1969-70 Authorized is \$43,600 and the Governor's Request is \$61,200 which is an increase of \$17,600 or 40.37%.

Mr. Ray requested that the staff check the food prices, comfort items, and professional and scientific supplies against last year.

500: The 1969-70 Authorized is \$5,500 and the Governor's Request is \$9,500 which is an increase of \$4,000 or 72.73%.

In answer to Mr. Ray, Mr. Adams said the meat saw was allocated last year and was purchased and should not be included in this budget.

Legislative Intent Mr. Ray said that under legislative intent they request that the pool table, fire extinguishers,

commercial coffeemaker, two lathes, chain saw, commercial dryer and the recreation equipment listed under equipment be purchased.

Mr. Ray said he was distressed that the meat saw had not been purchased. Mr. Branton explained this is on order; however, they don't have anything to clean this with.

700: The 1969-70 Authorized is \$4,500 and the Governor's Request is \$6,400 which is an increase of \$1,900 or 42.22%.

900: The Governor's Request is \$10,900. The Department had requested \$15,900 and Mr. Ray asked what had been cut. Mr. Freer said this is what the Department had agreed to. Mr. Ray asked about the rental of the Palmer gym. Mr. Branton said this is rented by the Adult Camp and is included in their budget.

McLaughlin Youth Center

The 1969-70 Authorized is \$1,348,300 and the Governor's Request is \$1,694,500 which is an increase of \$346,200 or 25.68%.

In answer to Mr. Haugen, Mr. Branton said there are 22 residents. However, Mr. Branton pointed out that this center is a detention unit for those persons awaiting trial. During the past six months McLaughlin Youth Center's population has been as high as 130 residents and it is expected that during periods of high intake this will be exceeded.

100: The 1969-70 Authorized is \$957,000 and the Governor's Request is \$1,259,600 which is an increase of \$302,600 or 31.62%.

Mr. Croft pointed out there are no statistical breakdowns of the per day cost. Mr. Ray requested that Mr. Croft check this out by subcommittee work. Mr. Croft agreed to review the rest of this part of the budget and report back to the committee.

- 200: The 1969-70 Authorized is \$11,100 and the Governor's Request is \$12,700 which is an increase of \$1,600 or 14.41%.
- 300: The 1969-70 Authorized is \$134,500 and the Governor's Request is \$143,800 which is an increase of \$9,300 or 6.91%.
- 400: The 1969-70 Authorized is \$143,400 and the Governor's Request is \$184,500 which is an increase of \$41,100 or 28.66%.
- 500: The 1969-70 Authorized is \$43,000 and the Governor's Request is \$19,900 which is a decrease of (\$23,100) or (53.72%).
- 700: The 1969-70 Authorized is \$10,000 and the Governor's Request is \$11,300 which is an increase of \$1,300 or 13%.
- 900: The 1969-70 Authorized is \$49,300 and the Governor's Request is \$62,700 which is an increase of \$13,400 or 27.18%.

Other

Under Care of Juveniles - Other the 1969-70 Authorized is \$499,800 and the Governor's Request is \$560,800 which is an increase of \$61,000 or 12.20%.

- 100: There is no request under personal services.
- 200: The 1969-70 Authorized is \$62,000 and the Governor's Request is \$66,700 which is an increase of \$4,700 or 7.58%.
- 300: The 1969-70 Authorized is \$421,600 and the Governor's Request is \$465,900 which is an increase of \$44,300 or 10.51%.

There is \$18,294 requested under code 380, professional fees and services, to provide medical care for wards of the state whether they are in jail, foster home, or outside institutions. Mr. Ray asked about the cost for foster home care. Mr. Hall said this is about \$195 a month. Mr. Ray asked if this is more than an institution and Mr. Hall said no. It was noted at McLaughlin the cost is about \$33 a day. Mr. Ray pointed out that it costs more to take care of one ward of the state per year than a lot of state employees make.

Mr. Ray said he thought they had been told they could see a lessening of the cost of contractual services. Mr. Branton said he thought the presentation had been made that they would be spending more money in sending these people outside.

Mr. Branton said if the committee was led to believe they could provide this service for people in Alaska at a lesser cost this was an erroneous statement.

Mr. Hall said there is no question as to what is being done by way of rehabilitation. He said the investment of a better rehabilitation program will mean they will not get these people back and that this is where the real savings is. [In reviewing this later, Mr. Croft noted a discrepancy and the Department of Health and Welfare sent a memo to the committee noting the correct figures. See page 1037.]

There was a brief discussion on the contractual counselors requested under code 390, other contractual services.

This request is for \$10,860 and Mr. Branton explained that when the demand is great enough the contractual counselors are replaced with a state employee. He said they now have a full time counselor in Kodiak.

Mr. Ray requested that the staff check Placements Outside Alaska under code 390.

400: The 1969-70 Authorized is \$15,000 and the Governor's Request is \$27,000 which is an increase of \$12,000 or 80%.

Mr. Ray pointed out there is \$5.00 a month for "canteen" privileges budgeted for each juvenile.

Mr. Croft asked about the cost of \$12.50 per day for the Habilitation House under code 390. [The memo received from the Department of Health and Welfare noted that the \$40,570 requested should be deleted.]

Adjournment: The meeting adjourned at 3:50 p.m.

STATE OF ALASKA

KEITH N. MILLER, GOVERNOR

DEPARTMENT OF HEALTH AND WELFARE

OFFICE OF THE COMMISSIONER

POUCH N - JUNEAU 9901

MEMORANDUM

TO: House Finance Committee

FROM: J. W. Betit
Commissioner
Department of Health and Welfare *JWB*

SUBJECT: Chugach "Habilitation House"

DATE: March 25, 1970

This is in response to a question raised by Representative Chancy Croft during hearing of testimony pertaining to the budget for the Division of Corrections.

It has been determined that the amount budgeted for the Chugach Rehabilitation Facility (\$3,375/month or 9 beds @ \$12.50 per day) is erroneous. The error resulted from the continuation of a contract in existence July 1, 1967 without expiration date. Contrary to instructions issued by the Commissioner of Health and Welfare in conformance with the Statutes to void all such contracts and pay under rates established by hearings, an illegitimate decision was made at a lower level that this contract should be continued in effect. In the budget review process, this item was inadvertently overlooked.

Subsequent investigation into this matter indicates that the level of care provided does not justify the minimum contract charge and, in fact, the adequacy of the facility for licensure and future child care is suspect and will be thoroughly investigated prior to renegotiation for child care under any arrangement.

Accordingly this Department is taking action to terminate the existing contract effective July 1, 1970 under terms of the contract. Future child placement will hinge on the adequacy of the facility.

To correct the budget -

- a. The \$40,570 under Habilitation House on page 307 should be deleted, and
- b. The item under Placement Inside Alaska on page 308 should be recomputed to read "74 juveniles @ \$6.42/day - 27,010 mandays \$173,404"

We appreciate this matter being brought to our attention.

HOUSE FINANCE COMMITTEE
March 24, 1970
9:00 a.m.

Present: All members.

HB 505 Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 505 (establishing Village Safe Water Act). No objection, so ordered.

Mr. Ray reminded the committee it would take \$700,000 on this for the planning stage and then they would have to order material and that would probably not be available until next year. The Commissioner of Health and Welfare can contract it out to Public Health Service, and village labor is supposed to be used as much as possible, according to Mr. Ray.

In answer to a query by Mr. Ray, Mr. Croft said they would not know how much would be available until the appropriation was made.

Mr. Ray asked the committee what they wanted to do with the bill and it was the concensus that it should be reported out with individual recommendations. Mr. Ray commented he would still like to amend out 4th class cities but this met with disapproval from the majority of the committee. Mr. Borer asked how the people involved [in the villages] felt about this and Mr. Ray said it had been indicated that they were for it. Mr. Ray then moved and asked unanimous consent that HOUSE BILL NO. 505 be reported out with individual

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recommendations. They are as follows:

No recommendations:	Messrs. Ray, Hohman, Bradner and Sackett
Do pass:	Mr. Croft
Do not pass:	Messrs. Haugen and Borer

HB 664 Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 664 (relating to social workers in elementary schools) be considered by the committee. No objection, so ordered. Mr. Borer read at some length from the fiscal note and the cost for FY71 as estimated by the Department of Education would be \$740,800. Mr. Ray suggested it be returned to files for later consideration.

HB 196 Mr. Borer moved and asked unanimous consent that HOUSE BILL NO. 196 (appropriating \$7,000,000 to Highways for all weather road between St. Mary's and Mountain Village) be considered by the committee. No objection, so ordered. After a brief discussion, it was decided to return HOUSE BILL NO. 196 to the files.

HB 617 Mr. Sackett moved and asked unanimous consent to consider HOUSE BILL NO. 617 (changing the state contribution to employee health insurance plan from \$10 to \$17.50). No objection, so ordered.

Mr. Sackett read excerpts from the letter from Mr. B. N. McVay, Deputy Commissioner of Administration (see bill file for copy of letter).

Mr. Bradner asked how much this would cost the state and how would it be funded. Mr. Sackett read the following from Mr. McVay's letter:

"...The employers share (State of Alaska) of group insurance premium is contained within the 12% (formerly 14%) benefits figure added to personal services (line item 100) in all operating budgets. It represents 1% of the total salaries budgeted for state employees." Mr. Sackett requested that HOUSE BILL NO. 617 be reported out with individual recommendations but since several of the members still had numerous questions, Mr. McVay was called to testify on the bill.

While awaiting Mr. McVay, Mr. Hohman moved and asked unanimous HB 525 consent that HOUSE BILL NO. 525 (relating to an increase of employer and/or carrier contributions to the Alaska Second Injury Fund) be considered by the committee. No objection, so ordered. Mr. Hohman read from a letter from William K. Jermain, Deputy Commissioner of Labor, who stated in part, "...There is urgent need to amend Section 23.30.040(b) and authorize increased contributions to the Second Injury Fund if vocational education for all permanently injured employees is to continue..." The letter goes on to cite various needs in the educational program (see bill file for copy of letter). Mr. Hohman felt the emphasis on vocational rehabilitation was the main reason for the cost on this going up. Mr. Ray pointed out that though it does not cost the State of Alaska through the general fund, it still does cost via increased insurance premiums. He asked Mr. Hohman just how much this increase would be, and since Mr. Hohman did not have the answer, Mr. Ray requested the bill be

returned to files for consideration at a later date.

Mr. Ray made the following bill assignments:

<u>Bill Assignment</u>	HB 756 (creating the division of recruitment and retention within the Department of Military Affairs)	Mr. Haugen
	HCR 7 (relating to the construction of an access road from St. Michael to Stebbins)	Mr. Borer

HB 268 Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 268 (providing for loans to certain rural communities for the purpose of establishing boarding home dormitory facilities for school children) be considered. No objection, so ordered. Mr. Hohman, in answer to Mr. Ray's observation that RDA might help on this, said the Rural Development Agency directs its resources towards welfare projects. He envisioned this as a program surviving on its own and making a profit. He cited an example of the boarding home which was purchased by three villages last summer. They bought a house for \$15,500 with money that was earmarked for construction of small cottage dormitories in the Bethel area. They formed a cooperation for purposes of managing the building they now own. Mr. Hohman pointed out that generally these towns or villages don't have risk money available to direct into this kind of operation. They do have a bank at Bethel but it would not touch this particular project. It is a paying proposition, however, and according to Mr. Hohman they have a first and second mortgage, with payments of \$291.50 a month. It is paid up to date, having started in September, and within four years

they will own the \$15,500 piece of property.

Mr. Ray noted the arrival of Mr. McVay and said HOUSE BILL NO. 268 would be continued at a later date.

HB 617 Reverting to HOUSE BILL NO. 617, Mr. Ray asked Mr. McVay to explain to the committee why this should be increased to \$17.50 from the present \$10. Mr. McVay said it will be at \$17.50 within three years and he felt it was better to get this organized now rather than have to come back each year with a new request. Mr. Ray asked how much this would be in dollars -- the 1% as referred to in Mr. McVay's letter -- if taken out of personal services. Mr. McVay said that would only be the employer's share -- the employee also pays if he has dependents and/or spouse. Mr. Bradner discussed with Mr. McVay at some length the prior history of health insurance problems in the state. In conclusion, Mr. Bradner asked if what Mr. McVay was suggesting was to have the state pay more. Mr. McVay said that the state need not necessarily pick up the whole premium, but they should maintain the same coverage. Mr. Bradner asked if this would be the state policy, whatever the increase is, and Mr. McVay agreed that it would be. Mr. McVay said he would get the premium figures for the committee and they could then see the employee is picking up a reasonable share of the cost. If the total premium continues to rise, the state would try to maintain the same ratio, according to Mr. McVay.

Mr. Bradner asked how the state decides what the employee should pay and Mr. McVay said they would continue to use the same ratio where they can get the maximum coverage for the least cost. Mr. Ray wanted to know if the state planned to go out to bid this year and Mr. McVay said they didn't know yet.

Mr. Ray wondered how they could get the best price if they didn't take it out to bid again, and Mr. McVay said they have been working at renegotiation in the last six months and they hope to work it that way. Mr. Ray asked if they were able to change it from \$10 to \$17.50, would anyone be interested in bidding and Mr. McVay assured him there would be interested bidders. Mr. McVay said if they think by going out to bid they can get a lesser cost to the state, they will do so but as he had indicated earlier, it is not mandatory by law that they go out to bid this year. He said the cost of going to bid and the fact they may not accomplish anything by it should be considered. He said the previous carrier (New York Life) had that policy for about 7 to 8 years, and there was quite a difference when they did go to bid. He felt going out to bid was costly to the state though and they hoped to work it out through negotiation.

Mr. Ray said that since it was 10:00 a.m., the members would have to report to the chambers and that they would pursue this at a later date.

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

JOINT HOUSE AND SENATE FINANCE

Tuesday, March 24, 1970

1:00 p.m.

Present: All members of the House Finance Committee were present for the joint hearing with the Senate Finance Committee on SENATE BILL NO. 378 (Relating to the public school foundation program). Also present were other interested legislators, various people involved in education in the state, who were either planning to testify or were interested in the testimony on this particular bill. Senator Phillips read section 14.17.021 (b), which states "The basic need of each school district is determined by multiplying the instructional unit allotment of the district as defined in sec. 051 of this chapter by the number of instructional units in the district." and requested that it be explained. Mr. Friedley said that the bill as written calls for instructional unit value of \$14,500 which, as can be seen from the data sheets prepared by the Department of Education, actually is \$981 lower than the average instructional unit cost of any school in the state. He said they believe it would be impossible to attempt the philosophy of SB 327 as the bill stands - at that amount this would not cover basic programs. He said that \$14,500 would not fund 90% of the basic program even for the lowest actual units on the projected budgets, let alone for the average.

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He
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said that the average unit in the Anchorage borough is \$21,960. He realized the figures on the projected budgets have not been approved by the school board so there may be changes, but he said that he feels \$2200 is a much more realistic figure.

Senator Phillips explained to those present that most of the questions from the Senate side would be asked by Mr. Mario Martini, Senate fiscal counsel, who, according to Senator Phillips, had carefully studied and researched this bill and prepared some questions.

Mr. Martini asked if the instructional unit cost had been determined for the 1969-70 budgets, and Mr. Friedley said no, that had not been done. Senator Phillips asked where the \$14,500 figure came from, and Dr. Hartman said that this figure was around the average now with a slight increase added, but that it does not take into consideration the \$8,000,000 the Governor recommended for teachers salaries increases and so the figure is out-dated.

Senator Phillips asked Mr. Bob Thomas to explain briefly the concept of SB 378. Mr. Thomas said that the basic concept is for the state to support a percentage of the basic need for each district, which would be varied depending on the district's ability to pay, the average being 90%, using the assessed valuation of the district as an index. This would vary from 81% to 98+%. The

bill was amended so no district would receive less than 90%, so 90% would be the floor, he said. On the basis of this amendment the cost of the bill would be increased a bit but this only affects six districts. Mr. Martini asked which six communities will now go up to 90% which otherwise would have been below 90%, and was answered Bristol Bay, Juneau, Kenai, Ketchikan, Pelican, Skagway.

Mr. Thomas said that a problem has been to determine what is basic need so that they can determine what level of support the state considers as basic. The recommendation of the Senate HWE Committee set up \$20,000 as representing a minimum program desirability for the state to support. Mr. Martini asked what is included as a basic instructional unit, and Mr. Thomas said that includes all things that go into current operating costs of instruction. It is on this basis that the state provides funds.

Dr. Hartman said that this bill includes three things not previously included - the salary increases for teachers, Average Daily Membership Allotment, and \$1,000 per school building. All these elements are being combined into one piece of legislation in their attempt at arriving at a fair and equitable figure for basic education at the district level.

Senator Begich mentioned the difficulty in determining what are basic and what are supplemental programs, and expressed the feeling that what is supplemental for a school in one area may be a basic need in another school. Mr. Martini objected to their being no clear cut definition to be used in determining what are basic and what are special programs. Senator Begich cautioned against this being locked in by statute, because he said that there really are areas where a program may be essential which is not in another area needed at all.

Referring to sec. 14.17.021 where the mechanics of the formula come in, Mr. Martini said that as actual information comes in from the districts, ^{some of} the basic elements of the formula would change, and he felt that this is a flaw in the bill. Dr. Hartman thought that the formula of state support would change from year to year but would be consistent within each year. Mr. Martini explained that the denominator of the fraction will change if during the year they go from estimate to actual. Mr. Thomas said that situation exists under the present statute, too. Mr. Martini again said that the difference here is that it will change statewide, in all districts because the change will be in the denominator of the fraction. Mr. Thomas said that it would change to the extent that the ADM will vary. Mr. Martini said that there will be

six changes each year. Mr. Thomas said that actually, though, there will only be three changes since a couple changes occur at the same time. Mr. Thomas said that the current program has exactly the same changes. They start out with an estimate as of July 15 and then as they get actual enrollments they revise their estimates and finally get their final enrollment figure.

Mr. Martini then referred to page six, lines 22-25 of the bill which provides that "The district may obtain judicial review of the determination by filing a motion in the superior court of the judicial district in which the district is located within 30 days after receipt of the determination." This provision for a district to contest their assessment in court is already in the law, Dr. Hartman said. Mr. Martini said that taking that, however, and referring also to another section which states that "By October 30 of the pre-fiscal year each district shall submit to the commissioner a preliminary report of computations for the following fiscal year of the district's basic need as defined in sec. 021 of this chapter; the amount which it expects to match under the provisions of sec. 051 of this chapter; and the amount for supplemental programs which has been approved for funding consideration by the commissioner."/ He said this does not have much effect under the present law, but under the one proposed

he asked what would happen if one does not come in or is contested. Dr. Hartman said he thinks they would just use an average. Mr. Martini noted that there is no provision to that effect in the bill, however.

Mr. Friedley said that the state receives that figure when they are preparing their projected budget, but that there is still plenty of time before payments have to be met. Mr. Martini said that that information is needed by the Department of Education to prepare their budget, and their budget is needed in February. He said that under the present system if one district contests their determination that is the only district which has to be worried about, and under this proposed system, one district affects them all.

Mr. Ray felt that Mr. Martini had a good point, but he felt that this could just be adjusted at the second "go around." Mr. Martini agreed, once payments have started, but not before. Mr. Ray said readjustment could be made in the second payment, and said that even now sometimes they come in with bad information and have to come up with a supplemental. Dr. Hartman felt this was a good point, and said that as long as they use an average amount, that this would not influence the budget request to a very large extent. Mr. Martini reemphasized that this is not spelled out in the bill.

Mr. Friedley didn't feel that they would ever have to have a supplemental because the local taxing unit would be going to court to protest because their determination was too high - he said he couldn't imagine anyone protesting its being too low.

Mr. Martini then referred to page 6, line 9, where the bill reads "for required local effort under sec. 051 of this chapter" and he asked if that was meant to be 071, and he was answered yes.

Senator Phillips left to go to the documents room to get a copy of the HWE committee substitute for this bill.

However, no committee substitute has been printed as the changes they made were made by amendment.

While Senator Phillips was gone, Mr. Ray asked Mr. Thomas about correspondence courses. Mr. Thomas said that where it is not feasible to bring students in to a school for daily instruction, they take correspondence courses, and the elementary school pupils are counted for pupil allotment in the present statutes and so receive support for their correspondence students. Mr. Ray asked how they could justify the cost for a student doing correspondence work being the same as a student in a school. Mr. Thomas said that if the parents are the only ones supervising the child's learning, then of course it is much cheaper, but when teachers are sent out from the schools to supervise, then there is considerably more

cost involved. Mr. Ray felt there should be a different formula for correspondence students. Dr. Hartman said they are just giving them a little bit of a financial edge, and Mr. Ray indicated disapproval of this.

A woman from the Kenai borough testified that they have many problems in their Borough. For example, there are students in Hope, but with the 8 students they have they cannot have a school so they offer them correspondence courses. It is necessary for a teacher to go occasionally to Hope. The Kenai borough probably covers the largest range in the state, she said, and this raises the cost per student.

Mr. Ray indicated that he feels there is such a small number of these students that they should write them out of this bill.

Senator Miller passed out copies of the March 4, 1970 Senate Journal, which gives the HWE Committee amendments to this bill. The first amendment was on page 2, line four and reads: "Insert new paragraph '(5) State aid as computed under this section shall constitute at least 90% of the basic need, as defined by the department, of each school district." Dr. Hartman said that they wanted to see that no school district received less than 90% of instructional unit cost established by the legislature. Kenai and Bristol Bay would have received less.

Mr. Martini said that this was already spelled out in the bill where the definition of elements of the formula is provided and it reads "k(level of average state support of basic need) = 90 per cent." Dr. Hartman said no, that that just establishes the average percent.

Mr. Ray said that he would like some comment on the idea of changing the expression "basic need" to "basic education" and Mr. Moran said that the only thing wrong with that that he could see is that they have a basic education program, and so that might make it confusing.

There was further testimony, mainly from the educators who are supporting this bill. Senator Phillips announced that the Senate Finance Committee would be researching

Adjourned: this bill further. The joint meeting adjourned at 3:15.

HOUSE FINANCE COMMITTEE

March 25, 1970

9:00 a.m.

Present: All members except Messrs. Borer, Haugen and Hohman.

Rep. John Schwamm was also present.

Bill
Assign-
ments

SB 457 (Changing description of certain state-owned lands and waters presently in use as a public recreation area) -- Mr. Sackett

HB 679 (GO bonds/\$4,000,000/ferries for use on Yukon River) -- Mr. Ray

HB 691 (comprehensive community social service center program) -- Mr. Sackett

Mr. Ray announced that the committee would recess for purposes of working on subcommittees and that they committee would reconvene at 1:30 p.m. to do budget review work on Health and Welfare -- Book I.

Meeting recessed at 9:30 a.m.

HOUSE FINANCE COMMITTEE
March 25, 1970
2:00 p.m.

Present: All members of the committee were present. Also present from the Department of Health and Welfare were: Mr. Robert Hall, Deputy Commissioner; Mr. V. L. Iverson, Director, Administrative Services; Mr. Lawrence J. Sullivan, Coordinator, Office of Comprehensive Planning; Mr. Henry Harmon, Coordinator, Office of Aging. Present from the Division of Budget and Management were Messrs. Freer and Norem.

DEPARTMENT OF HEALTH & WELFARE The Department of Health and Welfare reflects an overall increase of 41.68% - from \$29,773,900 to \$42,184,300.

GENERAL ADMINISTRATION Of this, \$8,695,700 are federal receipts, \$53,200 program receipts, \$47,300 inter-agency receipts, and \$33,388,100

Office of from the general fund.
Commissioner

The Office of the Commissioner reflects a (13.39%) decrease - from \$173,200 to \$150,000.

Code 100: Personal services is increased 13.18% - from \$114,500 to \$129,700.

Mr. Borer questioned the request for a new position of Deputy Commissioner of Health, and Mr. Hall explained that this was part of an overall reorganization plan whereby the department desperately needed a deputy in this area, and they had also requested a Deputy Commissioner for Social Services. In both instances these positions

were denied by the Governor's Budget Review Committee.

Code 200: Travel is increased 1.18% - from \$8,500 to \$8,600.

Mr. Borer noted that the request for travel was essentially the same as the current year.

Code 300: Contractual services is increased 86.84% - from \$3,800 to \$7,100. Mr. Borer commented that the cut from the department request for \$8,100 to the Governor's allowance \$7,100 was due to disallowing a request for new positions. Mr. Borer asked Mr. Hall why Code 330 (Rents & Utilities) was up from \$500 to \$2,200. Mr. Hall said this was somewhat related to the requested new positions and also based on occupancy. It reflects adjustment based on cost of space currently occupied.

Code 400: Commodities remains at the same level - the Governor's allowance being \$1,600. No questions.

Code 500: A (100.00%) decrease is reflected in equipment - from \$400 to -0-. The department had requested \$2,200 (all related to new positions) which was denied.

Code 900: Inter-agency charges is decreased (93.23%) - from \$44,300 to \$3,000. Data processing had been deleted, and the remaining \$3,000, according to Mr. Hall, is the prorata share for utilities and maintenance costs to the Division of Buildings.

Adminis-
Trative
Services

The Division of Administrative Services is increased 11.76% - from \$946,600 to \$1,057,900. Of this, \$146,500 are

federal receipts, and \$911,400 from the general fund.

Code 100: Personal services is increased 14.00% - from \$805,100 to \$917,800. Mr. Borer called attention to the request for four-and-a-half new positions, which were allowed. He asked how many employees were in this section, and Mr. Hall said 85 authorized plus the four-and-a-half just requested.

Mr. Borer asked Mr. Freer for an explanation on the positions that had been transferred and Mr. Freer said it did not affect the overall number -- they had transferred one position from the Division of Public Welfare and one from Mental Health. Mr. Borer noted there were four transfers, but Mr. Hall said the other two (Administrative Officer and Accountant I) were within the division and did not affect the number.

Mr. Borer asked about the Information and Education section now in this budget, and Mr. Iverson said it had formerly been in the Commissioner's Office. It had been a separate item in the Office of the Commissioner, and in answer to a further question by Mr. Borer, Mr. Iverson said they had transferred it here last year. Mr. Borer wanted to know why they needed a Librarian I (new position requested in Information and Education) and Mr. Hall said the Librarian is needed to organize the material that is presently in the basement, and that the request for a clerk-typist in this section is support for the Information Officer.

Code 200: Travel remains the same - the Governor's allowance being \$7,900. No questions.

Code 300: Contractual services is decreased (20.28%) - from \$107,500 to \$85,700. Under Code 310 (Communications) with reference to the explanation in the budget book, "Current level reflects a reduction of approximately \$22,000 due to prorating postage charges to other programs..."

Mr. Iverson explained that it is for the best interest of the state to prorate these charges, particularly in the Welfare section, since they can qualify for 50% matching federal funds whereas in Administrative Services it is only about 13%. He said they now identify directly with the program to get maximum federal reimbursement.

Mr. Borer asked if this was also true under Code 360 (equipment rental) which had decreased \$8,300, and Mr. Iverson said yes.

Code 400: Commodities is increased 15.04% - from \$13,300 to \$15,300. No questions.

Code 500: The Governor's allowance of \$6,000 represents the increase as there was no authorization for fiscal year 1969-70.

Mr. Borer commented on the fact that the department had asked for \$14,700, but the Governor had only allowed \$6,000. Mr. Iverson said that last year they had received no equipment and they had reached a critical point where certain items simply had to be replaced.

The big deletion by the Budget Review Committee was the microfilm equipment (camera, reader-printer, storage files and paper shredder), which would have cost \$8,000. Mr. Iverson said the plan was that this would coordinate with the Records Management section of the Department of Administration. He said the other equipment was mainly for new positions.

Code 900: Inter-agency charges is increased 96.88% - from \$12,800 to \$25,200. Mr. Borer queried the Code 930 (Car Rentals - Highways Equipment Pool) for \$6,700 and wondered why it appeared in this part of the budget. Mr. Iverson said it had originally been in Code 360. Mr. Ray asked Mr. Freer if this would now be the policy of his division to leave this car rental in Code 900, and Mr. Freer assured him that they had changed this to inter-agency so that it would be within the framework of the state's accounting system and that to the best of his knowledge, this would be a continuing program within this procedure in the years to come.

Comprehensive Planning Comprehensive Health Planning is increased 2.10% - from \$152,200 to \$155,400. This program receives \$116,500 from federal and only \$38,900 from the general fund.

Code 100: Personal services is increased 14.31% - from \$72,000 to \$82,300. There are six employees in this program and no request for new positions.

Code 200: Travel is increased 22.80% - from \$32,900 to \$40,400.

Mr. Sullivan was asked to explain this increase, and he said it was for two reasons: (1) the Alaska Comprehensive Health Advisory Council now has 25 members by order of the Governor; and (2) in the past, the consultants from other states had paid their own transportation, but it was felt that since the federal was willing to pay for this, that it should be handled in this manner.

Mr. Sackett asked the area composition of the Council and Mr. Sullivan said it is representative of Barrow, Wrangell, Juneau, Tanana, Anchorage, Fairbanks and Homer. In further explanation, Mr. Sullivan said the federal regulations require that members of the Council travel to certain conferences that are held throughout the United States.

Code 300: Contractual services is decreased (21.92%) - from \$36,500 to \$28,500. Under Code 320 (Printing & Advertising),

Mr. Sackett asked what kind of special report is put out and Mr. Sullivan said they put out a quarterly bulletin and an annual report for the federal government.

Under Code 390 (Other Contractual Services) it was noted that this had decreased from \$25,000 to \$17,000, which Mr. Sullivan attributed to having their own Research Specialist on the staff. It was requested that a portion of the \$17,000 in this category, "Special studies with University of Alaska and Alaska Methodist University or

special consultant firms or organizations for special studies..." be noted for further examination.

Code 400: Commodities remains at the same level as last year - the Governor's allowance being \$2,500. No questions.

Code 500: Equipment reflects a (100.00%) decrease - from \$2,000 to -0-. No questions.

Code 900: Inter-agency charges is decreased (73.02%) - from \$6,300 to \$1,700. This decrease was attributed to the deletion of data processing function.

Defense & Disaster Planning Defense and Disaster Planning remains at the same level as last year - the Governor's allowance being \$4,900. This is all from the general fund.

Mr. Ray requested that this program be marked by the staff for further review by the committee.

Code 100: There are no positions in this section; however, the department had requested two positions, but they were denied by the Governor's Budget Review Committee.

Code 200: Travel remains at the same level - the Governor's allowance being \$2,700. Mr. Sullivan said he must inspect, at least once a year, the civil defense hospital units which are stretched from Ketchikan to Nome. Also, any local hospital that has agreed to the drug rotation program must be inspected at least every six months. Mr. Hall told the committee that the department tries to do its part in assisting in this statewide defense

(1) Hospital and medical facilities construction plan (\$1,100,000 in a federal grant, and \$1,153,000 in federal loan guarantee);

(2) construction of facilities for mentally retarded plan (\$100,000 in a federal grant); and

(3) construction of a community mental health centers plan (\$100,000 in a federal grant).

Mr. Sullivan said they were allowed this amount each year, and if no one applies for it, it reverts to the federal government or it goes to another state. He said 60% must be funded from local or state government and at the present time there is no state money available.

Mr. Ray questioned using No. 3 in conjunction with "drying out" centers for alcoholics. Mr. Sullivan said there are a number of services that have to be provided to qualify for these funds, e.g., out-patient services, in-patient, mental health education, and 24-hour service to the public. He said the community must request these funds and take the initiative. Mr. Ray thought it would be worth investigating for Juneau and Mr. Sullivan told him there must be a firm commitment to pick up the 40% federal funding.

Mr. Sullivan said that the people in this section are responsible for developing three different state plans: (1) Mental health construction; (2) mental retardation construction; and (3) hospital construction. He said

disaster program and without any positions it falls upon the Director of the Comprehensive Planning.

Code 300: Contractual services remains at the same level - the Governor's allowance being \$1,500. No questions.

Code 400: Commodities remains at the same level - the Governor's allowance being \$500. No questions.

Code 900: Inter-agency charges also remains the same - the Governor's allowance being \$200.

Facilities Development reflects a 5.65% increase -
Development from \$47,800 to \$50,500. Of this, \$22,100 are federal receipts, and \$28,400 from the general fund.

Code 100: Personal services is increased 15.87% - from \$25,200 to \$29,200. There are presently two people in this section and the request by the department for an Assistant Coordinator was denied by the Budget Review Committee. Mr. Sullivan said the one of the functions of this program is to inspect all construction applications that come in under Hill Burton funds. This is a federal requirement that must be carried out by the state. [See pages 101 and 102, Book I, of the budget workbook for a list of hospitals under construction, and hospitals and nursing homes that must be inspected for license renewal.]

The three following construction plans must be prepared, according to Mr. Sullivan, to insure that Alaska receives its share of construction funds:

they had requested an assistant coordinator to help draw up these applications, to work with the architects and engineers, and to relieve the coordinator of some of his license renewal inspection duties of all the nursing homes around the state.

Code 200: Travel is increased 1.96% - from \$5,100 to \$5,200. Mr. Sullivan commented on the travel for the Comprehensive Health Advisory Council for Alaska, and said that the federal regulations require a council for each of these types of construction and Alaska has one council to act in all capacities. They must approve plans for three types of construction mentioned above.

Code 300: Contractual services is decreased (9.63%) - from \$13,500 to \$12,200. No questions.

Code 400: Commodities remains at the same level - \$700. No questions.

Code 500: Equipment is decreased (100.00%) - from \$100 to -0-.

Code 900: Inter-agency charges remains at the same level - \$3,200. No questions.

Office of Aging The Office of Aging reflects a 9.17% increase - from \$189,300 to \$207,200. This is \$147,500 federal funds, and \$59,700 general funds.

Mr. Harmon said that in most cases this is funded 75% - 25% federal funds; however, in some instances it is 50% - 50%.

Code 100: Personal services is increased 84.13% - from \$27,100 to \$49,900. Mr. Harmon told the committee that the Deputy

Coordinator was not funded in the fiscal year 1969-70 budget, but had been approved under Executive Order No. 20. It was noted by Mr. Ray there were two "chiefs" and no "Indians," or in other words, they have no clerical help in this section.

Code 200: Travel is increased 6.96% - from \$15,800 to \$16,900.

Mr. Harmon said the federal requirement is that this office must have a Citizens Advisory Committee, and noted that this committee would also serve on the White House Conference on the Aging. He said they require 16 members on this committee.

Mr. Borer called attention to the fact that the travel added up to five months for the two staff members, and Mr. Harmon assured him that their projects are out in the communities so that is where the work is. He said he personally has done very little traveling since taking this job, but they now have nine communities that have these centers and several more have put in applications.

Code 300: Contractual services is increased 42.50% - from \$4,000 to \$5,700. No questions.

Code 400: Commodities is increased from 15.38% - from \$1,300 to \$1,500. No questions.

Code 500: Equipment is decreased (81.25%) - from \$1,600 to \$300. No questions.

Code 700: Grants, claims and shared revenue is decreased (5.71%) - from \$140,000 to \$132,000. Mr. Harmon said the federal

money last year had been \$140,000 as a result of the 1969 Older American Act, but then this was reduced to \$90,000 which required the state to put in \$42,000. He said these projects were already obligated to this \$140,000 so it would be somewhat embarrassing to reduce it at this time. He was asked to describe just what these centers do and where they are. Mr. Harmon said they are social centers for older people and provide them with a variety of activities. He used Kotzebue as an example, citing the handiwork projects there. He said it is the only Native community at this time that does have a center. He said Anchorage, Juneau, Chugiak, Fairbanks and Homer also have centers and they are all financed out of this Code 700 money. They start out 75%-25%, then often go to 60%-40%, then 50%-50%. This allows each center to employ a director, have pool tables, craft work, etc. They have a telephone service whereby they can check on elderly people living alone to make sure they are all right and not in need. He said the long-range goal, of course, is for the community to ultimately assume the responsibility. He said Kodiak and Bethel have applications pending, but there is no money at present. Mr. Ray praised Mr. Harmon for his presentation of this budget.

Recess: Committee recessed at 2:45 p.m.

After Recess

DIVISION
OF PUBLIC
WELFARE

Messrs. Hall and Iverson remained for this section of the budget and were joined by Mr. Stanley Harris, Director of the Division of Public Welfare.

Adminis-
tration

Administration reflects a 55.48% increase - from \$1,515,000 to \$2,355,500. Of this, \$1,314,200 are federal funds, \$7,200 program receipts, and \$1,034,100 from the general fund.

Code 100: Personal services is increased 54.24% - from \$1,240,500 to \$1,913,300. Mr. Borer noted that Administration had 144 positions and wondered how many were presently filled. Mr. Harris said there were only two vacancies in the professional staff, and that there was a fluctuation of 6 - 8 vacancies in the clerical staff. Mr. Borer asked about positions being transferred from the CWS/JC program (Child Welfare/Juvenile Code) to Administration. Mr. Hall said this is an area that also relates to federal funding and they are constantly striving to improve their program in order to receive the maximum rate of the federal dollar. The RASS [Rural Areas Social Services] project was discussed and explained. Mr. Harris said it is a three-year project and is located in Bethel. Mr. Hall said this is a pilot program and is the only place in the country that has done this particular project. It is being used

for demonstration purposed, and they are bringing representatives from the Native leaders together in California because they are so pleased with the results. It is essentially a training program for Natives into semi-professional work in their own environment.

Mr. Borer wanted to know where they show the federal funding, and Mr. Harris said they picked up the last of these people in the end of December, and that they will have another budget that shows the entire RASS project. Mr. Hohman wanted to know the location of RASS director and coordinator. Mr. Harris said the director [Willie Hays] is in Anchorage but will be dropped in December, and will be integrated into the regular program. The two coordinators are in Bethel.

The request for 31 new positions was noted by Mr. Borer, and in particular the request for three positions in Petersburg. Mr. Harris said they will open up an office in Petersburg if approved in the budget, and also establish local offices in Kenai and Barrow this year. In response to the question of where this work for Petersburg had been handled in the past, Mr. Harris said out of Ketchikan, but not effectively, and this is why they are requesting a local office.

Code 200: Travel is increased 157.11% - from \$42,200 to \$108,500.

Mr. Borer wanted to know if this large increase was tied in to the new positions, and Mr. Harris said some of it was.

Mr. Borer wondered if there would be much delay in hiring 31 new people, and Mr. Hall felt there would be and pointed out that was why they had put in a vacancy and turnover factor of \$15,900 on the new positions.

Code 300: Contractual services is increased 10.51% - from \$185,600 to \$205,100. No questions.

Code 400: Commodities is increased 53.85% - from \$14,300 to \$22,000. No questions.

Code 500: Equipment is increased 828.57% - from \$6,300 to \$58,500. This enormous increase relates to opening up new offices and the new positions, according to Mr. Harris.

Code 900: Inter-agency charges is increased 84.29% - from \$25,100 to \$48,100. Mr. Borer asked the staff to make note of the \$19,400 for car rental, which had been transferred from Code 300. Mr. Iverson commented on Department of Highways raising its rates from 12¢ to 14¢ plus a minimum milage requirement -- he felt it was a pretty hefty increase that had been placed on this item by Highways.

Mr. Holman asked for an explanation of the charge under Code 360 [rents and utilities] for the State Building (ASHA) in Bethel for \$6,472; Code 370 [insurance and bonding] for Bethel building of \$252; and under Code 930 [Division of Buildings, ASHA] payment of \$3,700 for Bethel for utilities, maintenance, custodial and fuel. Mr. Harris said he would check this out, and Mr. Holman said

he would like the amount of square footage involved in this also.

Staff Development Staff Development is increased 32.60% - from \$140,800 to \$186,700. Of this, \$166,800 are federal funds, and \$19,900 general funds.

Code 100: Personal services is decreased (12.73%) - from \$49,500 to \$43,200. It was noted that of the three employees in this section, one had been transferred from the RASS project -- a Staff Development Supervisor.

Code 200: Travel is increased from -0- to \$14,000. It was explained that supervision of RASS was done within these travel funds. Mr. Harris referred to the fact that there were no travel funds in last year's budget, and noted that this program cannot be carried out (as required by the federal government) by telephone and correspondence [see page 214 of the budget workbook for further explanation].

Code 300: Contractual services is increased 40.86% - from \$90,300 to \$127,200. Under Code 390 (other contractual services) Mr. Borer asked about the \$89,600 [all federal funding] requested for: "Contract with the University of Alaska for undergraduate course to include sequence in the study of alcoholism. (This figure constitutes 75% of the cost of the program to the University of Alaska per agreement.)" Mr. Harris said that the only way they could get the federal participation on this is by working through the

University, and that is why it is not through the Office of Alcoholism. Mr. Borer requested the staff to make a note of this and to pull out of all the budgets any contracts the state has with the University and what they are for. Mr. Borer asked Mr. Harris what this particular undergraduate course pays for and Mr. Harris said it is training for social workers in the field of alcoholism.

Code 400: Commodities is increased 50.00% - from \$1,000 to \$1,500.

No questions.

Code 500: Equipment is increased from -0- to \$800. No questions.

Work Incentive Program - The Work Incentive Program reflects a 30.20% increase -
[WIN] from \$640,700 to \$834,200. These are 3 - 1 matching funds with \$625,700 from federal funds and \$208,500 from the general fund.

Code 100: Personal services is increased 2.36% - from \$67,800 to \$69,400. One new position requested, a Planning Aide I. The reason Code 100 does not reflect more of an increase is because an accounting technician was transferred to Administrative Services, thus leaving the section with the same number of employees (six).

Mr. Borer asked how the WIN program was working out, and Mr. Harris felt that it was doing quite well. He said 118 of the total 258 enrollees are now employed. He said 183 terminated and 73 are off of relief. However, he said the latter figure was not totally indicative of the success of the program since some of the 73 had remarried,

thus leaving the program by virtue of acquiring a husband. Mr. Sackett asked if they had a contract with the Department of Labor. Mr. Harris said they did and that they must pay 20% of their total cost; however, they do have some variance in transportation.

There ensued a discussion on transportation and childcare for non-WIN mothers. It seems that the department had erroneously been paying childcare for certain non-WIN mothers because they were under the impression that this could be done by this program. When it was discovered last September that it was a misappropriation of funds, childcare for non-WIN mothers ceased and thereupon the Alaska Legal Services threatened legal suit against the department. Mr. Hall felt this service should be provided as an incentive to these working mothers; therefore, they had put in a supplemental to reinstitute this program and they are also requesting funds in this budget to carry it on.

Mr. Borer asked where they have WIN training programs, and Mr. Harris said Anchorage, Fairbanks, Juneau, Ketchikan, Barrow, Bethel, Nome, Kotzebue, Wrangell, and possibly Petersburg. He wasn't sure on Petersburg. He asked if they paid the mothers directly for transportation and childcare, and Mr. Harris said no, this was paid to the people involved in the transportation and childcare, not the recipient. He said, in some cases, they do give \$30

a month to the mother as an incentive.

In answer to Mr. Hohman, he was not sure exactly what the Department of Labor's role was in terms of training, but he knew they had certain clerical programs in the towns where a community college was located. Mr. Harris said he would furnish the committee with a list of places that have a WIN program in progress.

Code 200: Travel is decreased (84.78%) - from \$67,000 to \$10,200.

No questions.

Code 300: Contractual services is increased 61.00% - from \$402,100 to \$547,400. No questions.

Code 400: Commodities remains the same - \$600. No questions.

Code 500: Equipment is increased from -0- to \$200. No questions.

Code 700: Grants, claims and shared revenue is increased from -0- to \$6,000. Mr. Harris said this is the money that is used for an incentive payment [federal funds from Priority III phase in Special Work Project] for special work projects where they can't train the mothers and this is a federal requirement. [See page 236 of the budget workbook for detailed explanation.]

Code 900: Inter-agency charges is decreased (2.71%) - from \$103,200 to \$100,400. No questions.

Adult Public Assistance Mr. Borer said that until final determination was made

on HOUSE BILL NO. 282 (supplemental retirement and incentive payment for citizens over 65) that he did not feel this portion of the budget should be discussed.

He felt at that time, they would either review this section, or if the bill passes, ask the department for a revision of the figures in this budget.

AFDC

Mr. Borer said they would also hold off reviewing this section until HOUSE BILL NO. 8 [increasing aid for dependent childre] is acted upon by the Senate, and then they will ask the department to come in for a review and possible revision of these figures also.

Food
Stamps

There was an 81.96% increase from \$237,200 to \$431,600. It was noted that this is \$109,600 federal and \$322,000 general funds.

Mr. Borer wanted to know if this request included all of the various towns that had implemented the program this year. Mr. Hall said that they had put in a supplemental to cover new areas; however, this budget did reflect the full program for the entire state.

Mr. Sackett asked the value of the food stamps and Mr. Hall said approximately \$2,000,000 for a 14-month period. He said it averages \$25 per recipient and they have approximately 18,000 people now receiving food stamps in Alaska.

Code 100: There is an 82% increase in Personal Services, from \$170,200 to \$310,000. Mr. Borer said they had asked for ten new positions and the Budget Review had allowed them ten. He wondered why they needed more people in Bethel since the program has already been implemented there.

Mr. Harris said they had twice as many as they had thought they would have in that area and therefore needed more help. Mr. Borer referred to the ratio of federal funds to general fund, and Mr. Iverson explained that they had overbudgeted federal receipts by \$62,500 and the department asked that the appropriation level be reduced by that amount. That amount was included in their supplemental to raise the general fund back to the authorized level. At the time the budget was prepared last year, he said it was mere speculation, but that the 3 to 1 ratio that they now have is the correct one.

Code 200: There is a 61.65% increase in travel, from \$35,200 to \$56,900.

Code 300: There is a 67.47% increase in Contractual Services, from \$24,900 to \$41,700.

Code 400: There is a 71.01% increase in Commodities, from \$6,900 to \$11,800.

Code 500: There is an \$11,200 increase in Equipment, there being no authorization for Equipment last year.

General Relief There is an overall increase in General Relief of 21.34%, from \$256,800 to \$311,600. The federal funding is \$45,000 and \$266,700 is from the general fund.

Code 100: There are no positions in this section.

Code 200: There is a 19.35% increase in Travel, from \$9,300 to \$11,100. Mr. Borer commented that the bulk of this

appropriation seems to be for outside travel for the purpose of returning nonresidents who do not intent to remain in Alaska but who are indigent.

Code 300: Contractual Services increased 23.44% from \$104,500 to \$129,000. This code among other things covers burials and Mr. Borer asked Mr. Hall why they wanted HB 765 [relating to costs of burial of indigent persons allowing up to \$525 per burial]. Mr. Hall said they did not want or need that bill. He said they usually request in the budget \$450 per burial, but that the funeral home deducts such things as Social Security payment, veterans' benefits, etc., before billing the state for the balance so it doesn't always come to the full amount. He said they had just completed a study on this and that though the funeral directors would naturally like more, he thought they would be glad to receive this amount.

Code 400: There is a 19.88% increase in Commodities, from \$80,000 to \$95,900. No questions.

Code 700: There is a 20% increase in Grants, Claims and Shared Revenue, from \$63,000 to \$75,600. Mr. Harris referred to page 285 of the budget workbook: "It is anticipated that \$30,000 will be required to assist low income families to purchase food stamps for the first time (USDA requirement); with only two months' experience, the increased cost can only be estimated. We anticipate many more families will apply for this

program as the Food Stamp Program becomes more widely used..." Mr. Harris said one of the requirements to qualify for food stamps is that the person must have cooking facilities; therefore, in answer to a question by Mr. Borer, the "long-haired hippy types" rarely qualify under the Food Stamp program. Mr. Harris said that these people usually have money, anyhow, and don't seem to apply very often. Mr. Harris, in further explanation, said the money in Code 700 is more for the short term relief and the money in Code 400 (clothing, food and fuel) is for the long term relief recipient.

General
Relief
Medical

Mr. Harris explained briefly to the committee the purpose and function of this program which in part is assistance for Old Age Assistance recipients who need over and above Medicare, plus under the Federal Emergency Assistance program, the federal funds can be used for assistance to families with children under 21 and for a period of time not to exceed 30 consecutive days in a calendar year.

Code 200: Travel is at the same level, \$11,000. This is for recipients' travel inside and outside to receive medical care.

Code 300: There is a 26.85% increase in Contractual Services, from \$1,251,900 to \$1,588,000. Mr. Borer wondered if this amount would change substantially if HB 282 should pass. Mr. Hall said probably not.

Code 400: There is a 10.53% increase in Commodities, from \$114,000 to \$126,000. No questions.

Child Welfare Service/Juvenile Code There is a 46.32% increase in CWS/JC, from \$706,200 to \$1,103,900. Federal funds on this are \$106,900, while general fund receipts are \$997,000.

Code 100: The \$36,600 previously budgeted for three Social Worker II positions in the 1969-70 budget has been transferred to the General Administration budget, so there is no longer any personnel in this section.

Code 200: There is a 46.38% increase in Travel, from \$13,800 to \$20,200. Mr. Borer wanted to know the reason for the large increase in Travel, and Mr. Harris replied that recently they have placed children for adoption in places as far away as New Hampshire and this is to pay also for the transportation of the escort. Mr. Borer asked how they could place children so far away and Mr. Harris said they use other states' facilities for this purpose. Mr. Borer was not impressed. He felt there should be more knowledge over where these children are going and how they fare after leaving here.

Code 300: Contractual Services increased 65.55%, from \$652,200 to \$1,079,700. No questions.

Code 400: Commodities increased 11.11%, from \$3600 to \$4,000. No questions.

Recipient Rehab. This is a new program costing \$200,000. \$150,000 is

Code 900; federal funds and \$50,000 is general fund. Mr. Harris said this is all under code 900 and the explanation of this is found in the budget book, page 305: "It is the intention of the Welfare Division to enter into a contract with Vocational Rehabilitation to service approximately 80 'hard core' Welfare recipients for the labor market. It is anticipated that the largest percentage of referrals will be from the disabled case-load. It is estimated that the cases will cost \$2,500 each (figures supplied by Vocational Rehabilitation who anticipate a higher than average cost because of the nature of the disability, coupled with the problem of alcohol)."

Adjourned: Meeting adjourned at 4:00 p.m.

HOUSE FINANCE COMMITTEE
March 26, 1970
2:15 p.m.

Present: All members except Mr. Borer.

Bill

Assignment Chairman Ray assigned the following bills:

HB 93 (providing for a college expense deduction in the state income tax) Mr. Haugen

SB 500am (education for exceptional children) Mr. Bradner

SB 390 (relating to the oil and gas production tax) Mr. Sackett

HCR 57 (proposing that Governor direct the Dept. of Public Works to construct an airfield at Wales) Mr. Bradner

HB 716 (community mental health centers) Mr. Hohman

HB 498 Mr. Ray moved and asked unanimous consent that the committee

consider HOUSE BILL NO. 498 (changing the maximum interest rate on Alaska State Housing Authority bonds). No objection, so ordered. There was a brief discussion on this. Mr. Ray said that his belief was that the State Affairs' amendment of 7% was adequate. He said he felt the nine per cent interest rate called for in the original bill was too much. Mr. Borer arrived.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 498 as amended by State Affairs be reported out with a "do pass" recommendation. No objection, so ordered. So HOUSE BILL NO. 498 as amended by State Affairs was reported out with 5 "do pass" recommendations, Mr. Hohman and Mr. Croft signing "no recommendation."

HB 457 Mr. Croft moved and asked unanimous consent that the committee consider HOUSE BILL NO. 457 (an act appropriating to the Bond Committee). No objection, so ordered.

Mr. Croft explained that \$1,270,000 is requested to be appropriated from the general fund to the Bond Committee for estimated unfunded costs of debt service on general obligation bonds of the State. Mr. Croft said this is a supplemental for the Department of Revenue.

Mr. Croft moved and asked unanimous consent that HOUSE BILL NO. 457 be reported out with individual recommendations. In answer to Mr. Sackett, Mr. Croft said he is not sure why they sold bonds after the oil sale. He noted some of the bonds were sold as late as October of 1969. He said the fact is that they did sell these bonds.

So HOUSE BILL NO. 457 was reported out with 6 "do pass" recommendations, Mr. Croft signing "no recommendation."

HB 463 Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 463 (act appropriating to the Department of Labor, Enforcement of Labor Laws) be considered by the committee. Mr. Sackett read from a memo from Commissioner Moore, explaining this (see bill file). Mr. Sackett said he felt this \$10,140.46 could be absorbed by the Department as it is a small percentage of their budget. Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 463 be returned to subcommittee. The motion carried.

HB 441 Mr. Hohman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 441 (an act relating to drilling permits). No objection, so ordered.

Mr. Hohman said there is no additional money involved in this.

Mr. Ray noted that the Resources Committee had an amendment on this which said:

line 17, after "regulation" delete the remainder of the sentence and insert in lieu thereof the words: "order, or stipulations pertaining to drilling, plugging or abandoning of the well".

There was a brief discussion on this. Mr. Croft said he would like to find out Commissioner Kelly's comments on this amendment. Mr. Croft questioned whether the amendment limits the Department of Natural Resources too much.

He wanted to know what problems Natural Resources would face with the Resources amendment.

Mr. Ray read from the letter received from Deputy Commissioner Wallington on this (see page 109³). After a brief discussion on Mr. Wallington's letter, Mr. Ray suggested they go back to the original bill. Mr. Croft disagreed. Mr. Borer was in agreement with this. Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 441 be reported out with unanimous "no recommendation." No objection, so ordered.

HB 617 Mr. Sackett moved and asked unanimous consent that the committee consider HOUSE BILL NO. 617 (changing state's contribution to employee health insurance plan). No objection, so ordered. Mr. Sackett referred to a memo from the Department of Administration. He said that they feel that

Travelers' should be kept but there had not been a definite decision made on this. [See minutes of March 24 for more detail on this bill.]

Mr. Bradner asked what the estimated increase of premium is and Mr. Sackett said 30% to 40%.

Mr. Ray pointed out that the \$17.50 which is the State's contribution for each employee is already in the budget.

Mr. Sackett moved and asked unanimous consent that HOUSE BILL NO. 617 be reported out with individual recommendations. No objection, so ordered. So HOUSE BILL NO. 617 was reported out with 4 "do pass" recommendations, Messrs. Hohman, Croft, and Bradner signing "no recommendation."

Adjournment: The meeting adjourned at 3:00 p.m.

STATE OF ALASKA

KEITH N. MALLER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER / POUCH M—JUNEAU 99001

March 4, 1970

The Honorable Bill Ray
Chairman
House Finance Committee

Dear Representative Ray:

House Bill 441 (an Act relating to drilling permits) does not have any additional monies involved in its administration. This bill was introduced and requested to be enacted for the purpose of giving the Division of Oil and Gas, Department of Natural Resources, a little additional authority in seeing that proper conservation practices are carried out in the drilling, abandoning and especially in the plugging of wells. The only recourse the Commission has now in enforcing the rules and regulations of a drilling permit is calling for the forfeiture of a bond. If an operator who holds a drilling permit chooses to forfeit his bond rather than to properly plug an abandoned hole or comply with other conservation regulations, it is often to his advantage. However we feel that if we had the authority to deny him another drilling permit if he is in violation of a previous one, the operator would hesitate to forfeit said bond.

99 percent of the oil industry operators are cooperative and live up to all the rules and regulations of our Conservation Commission however, we have two cases to date in which wells were not properly plugged or not plugged at all and which will probably involve courts before the cases are brought to completion. It is entirely possible that the State will end up paying for the plugging and abandoning of these two wells. The cost involved to the State might be in the neighborhood of \$10,000 per well which would be twice the amount of the bond covering these operations.

This bill I believe was amended in the Senate to read on line 17 after the word regulation, delete the remainder of the sentence and insert in lieu thereof the words; "order, or stipulations pertaining to drilling, plugging or abandoning of the well".

Very truly yours,


Dale Wallington
Deputy Commissioner

1083

3/26

HOUSE FINANCE COMMITTEE
March 27, 1970
10:30 a.m.

Present: All members

SB 482 am Mr. Ray moved and asked unanimous consent that SENATE BILL NO. 482 am (chattel loans under the Alaska Agricultural Loan Act) be considered by the committee. No objection, so ordered.

Mr. Ray read a letter from Mr. Dale Wallington, Deputy Commissioner, Department of Natural Resources [see page 1090].

Mr. Haugen said he was not an expert on this type of thing and simple did not know what to recommend.

Mr. Ray suggested, that if the committee were in agreement, they come out with a committee substitute that would incorporate the suggestions of the Department of Natural Resources. Mr. Borer did not see where legislation of this type would be of any help to the "little guy."

Mr. Ray said, as he understood it, the policy of the administration is that they are no longer interested in the small farmer because they don't think he can make it unless he increases the size of his farm. Mr. Bradner was inclined to agree with this philosophy. Mr. Ray delegated to Mr. Haugen as the subcommittee the chore of going to Natural Resources and working on a committee substitute that would comply with the change requested in Mr. Wallington's letter.

SB 72 am
SB 199
HB 601
HB 602

Mr. Ray asked Mr. Croft to explain to the committee about the various bills in on libraries. Mr. Croft said that SENATE BILL NO. 72 am (presently in this committee) would cover all libraries in the state and was funded by SENATE BILL NO. 199 (alson in this committee). He said that HOUSE BILL NO. 601 covers only rural libraries and is funded by HOUSE BILL NO. 602. [HOUSE BILL NO. 601 and HOUSE BILL NO. 602 were reported out of House Finance on March 4 and are now in Rules Committee.] After a brief discussion, Mr. Croft said he would have the staff redraft SENATE BILL NO. 72 am so that it would not be tied down to federal funds. In other words, the city could put up their share, apply to the state and the state, if unable to obtain federal, would pay the balance.

SENATE BILL NO. 72 am would be taken up at a later date.

HB 162 Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 162 (providing for teacher aide salary allotment). No objection, so ordered. Mr. Croft, to whom the bill was assigned, reported that this would cost the state approximately \$2,754,000 @ \$3,000 for 918 aides. Mr. Ray asked Mr. Croft to research this to see if some of this money is being picked up in any other method. HOUSE BILL NO. 162 was returned to the files.

HB 413 Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 413 (appropriating \$2,500,000 to the

Department of Natural Resources for purpose of increasing the Agricultural Revolving Loan Fund). No objection, so ordered.

Mr. Borer asked that this bill be held in abeyance until the House Special Monetary committee comes in with its report next week. Mr. Ray said his recommendation would be that HOUSE BILL NO. 413 be cut from \$2,500,000 to \$500,000 and Mr. Borer thought if this recommendation could be held until the Special Committee comes in with its report, then the whole package could be tied together, including HOUSE BILL NO. 413. Mr. Ray requested the staff to prepare a committee substitute for HOUSE BILL NO. 413, then hold it for consideration until next week.

HCR 14 Mr. Ray moved and asked unanimous consent that HOUSE CONCURRENT RESOLUTION NO. 14 (establishment of a law school as part of the University of Alaska) be considered by the committee. No objection, so ordered. Mr. Ray pointed out to the committee that the University was requesting funds (approximately \$50,000) to hire a dean to set up this program. It was ascertained this resolution was not popular and Mr. Borer moved and asked unanimous consent that it be reported out with a "do not pass" recommendation. HOUSE CONCURRENT RESOLUTION NO. 14 was reported out as follows:

do not pass: Messrs. Ray, Bradner, Hauzen
and Borer
do pass: Mr. Hohman
no recommendation: Messrs. Croft and Sackett

HB 607 Mr. Sackett moved and asked unanimous consent that the committee consider HOUSE BILL NO. 607 (appropriating \$100,000 to the Department of Education, Alaska Higher Educational Facilities Commission). No objection, so ordered. Mr. Sackett reminded the committee they had passed out HOUSE BILL NO. 599 (increasing scholarship loan from \$500 to \$750) from this committee. He said that increase would pay all of the 33 current loans under the present funding, and if they increase the fund from \$100,000 to \$250,000, it would provide \$200,000 additional. He felt they needed at least an additional \$100,000 if they were to increase the base on this from \$500 to \$750. Mr. Sackett then moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 607 be adopted in lieu of HOUSE BILL NO. 607, changing \$100,000 to \$200,000 and that it be reported out with individual recommendations. COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 607 was reported out as follows:

do pass: Messrs. Hohman, Croft, Bradner
and Sackett

no recommendation: Messrs. Ray, Haugen and Borer

HB 612 Mr. Borer moved and asked unanimous consent that the committee consider HOUSE BILL NO. 612 (making appropriation of \$45,410.63 to City of Skagway and \$2,763.51 to City of Kotzebue for certain highway improvements). No objection, so ordered. There being no discussion since the bill had been considered at an earlier date and held in abeyance,

Mr. Borer then moved and asked unanimous consent that HOUSE BILL NO. 612 be reported out with individual recommendations. It was reported out with a unanimous "do pass" recommendation.

HB 708 Mr. Ray inquired of Mr. Borer the status on HOUSE BILL NO. 708 (relating to mutual banks). Mr. Borer told him that a call had been made to Mr. Kubley for information concerning this measure and that he would report it to the committee just as soon as the information arrived.

HB 647 Mr. Ray told the committee that he had just been in contact with Mr. Tom Kelly, Commissioner, Department of Natural Resources and Mr. Kelly had given him the information on HOUSE BILL NO. 647 (creating the Kachemak Bay State Park) that had been requested at an earlier meeting (see page 999 of the minutes). He told Mr. Ray that the original area chosen for this park would contain 91 million board feet of timber; however, the area now requested in a proposed committee substitute would contain 119 million board feet of timber. There are no roads into this area and in the words of Mr. Kelly, it is a "rough place." He said there are no coves in the new area that could be used for boat moorage and therefore without roads it would appear to be extremely limited for recreational purposes. Mr. Kelly had no objection to the original area designated in HOUSE BILL NO. 647 but he

was opposed to the addition of the new area. He felt a multiple-use concept rather than a park would be much more feasible.

Mr. Croft, one of the original sponsors, disagreed and Mr. Sackett asked what was wrong with the original bill.

Mr. Croft said there was nothing wrong, but he and Mr. Tillion (the other sponsor) felt that there was not one single state park in Alaska and that this was reason enough to create one. Mr. Ray cited Mt. McKinley National Park as an example and felt the state was not lacking in parks, even though there were none that belonged to the state.

HB 762 Mr. Croft moved and asked unanimous consent that HOUSE BILL NO. 762 (office of public administrator) be considered by the committee. No objection, so ordered. Mr. Croft told the committee that the funding for this bill was included in the court budget for FY 70-71, and that the only reason he was requesting a committee substitute for the bill was because it had been pointed out to him that this was a function of the district court, not the superior court. Mr. Croft then moved and asked unanimous consent that the committee adopt COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 762 in lieu of HOUSE BILL NO. 762 and that it be signed with individual recommendations. COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 762 was reported out in the following manner:

no recommendation: Messrs. Ray, Hohman, Croft,
Bradner, and Haugen
do pass: Messrs. Sackett and Borer

Adjournment: The meeting adjourned at 11:20 a.m.

STATE OF ALASKA

KEITH H. HALLER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M—JUNEAN 99001

February 25, 1970

The Honorable Bill Ray
Chairman
House Finance Committee

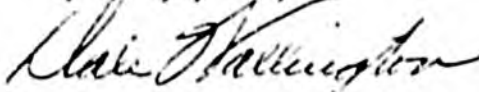
Dear Representative Ray:

Senate Bill 482 which would establish limits on the chattel loans not to exceed \$80,000 for each farm has been studied by us. It is our feeling that the number of chattel loans of this size would not exceed more than one or two per year for two reasons. First of all, the limits of the monies in the Loan Fund for all types of loans would restrict loanings of monies on chattels to this size for the entire farm community. Secondly, the number of farmers who could expand at a rate requiring this amount of capital would be very limited.

Should the capitalization of the Loan Fund be such that it was adequately funded, not more than two loans of this size would be made in any one year.

As we see it, this bill has several deficiencies. There seems to be no logical reason to except the loans for irrigation systems from the usual chattel loan category. Although the time limit on irrigating systems should not be limited to 7 years. I believe it best that the time limit on chattel loans be left to the discretion of the Agricultural Loan Board. Also if the limits on chattel loans are to be raised, the limits on real estate loans and short term loans are also equally justifiable. We would suggest a ceiling of \$150,000 on real estate loans, \$100,000 on chattel loans and \$10,000 on short term loans.

Very truly yours,



Dale Wallington
Deputy Commissioner

HOUSE FINANCE COMMITTEE

March 30, 1970

9:15 a.m.

Present: All committee members with the exception of Mr. Bradner were present.

HB 413 HOUSE BILL NO. 413 (appropriating to the Department of Natural Resources) was brought before the committee. This bill appropriates the sum of \$2,500,000 from the general fund to the Department of Natural Resources for the purpose of increasing the Agricultural Revolving Loan Fund, and was assigned to Mr. Haugen.

Mr. Haugen moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 413 be adopted in lieu of HOUSE BILL NO. 413, and that it be reported out without recommendation. (The COMMITTEE SUBSTITUTE deleted \$2,500,000 and inserted \$500,000.) COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 413 was reported out with the members voting as follows:

NO RECOMMENDATION: Messrs. Ray, Hohman, Croft, and Haugen.

DO PASS: Messrs. Sackett and Borer.

Mr. Ray announced that they would consider all of the "park" bills tomorrow morning and send them all out at the same time.

Bill
Assignments SENATE BILL NO. 388 (creating the Chugach State Park) --
SB 388 am assigned to Mr. Bradner.

- SB 455 SENATE BILL NO. 455 (relating to the teachers' retirement system) -- assigned to Mr. Sackett.
- SB 127 SENATE BILL NO. 127 (appropriating to Wright Truck and Tractor) -- assigned to Mr. Borer.
- HB 214 HOUSE BILL NO. 214 (relating to the Pioneers Home) -- assigned to Mr. Ray.
- HB 662 HOUSE BILL NO. 662 (appropriating to the scholarship loan fund) -- Mr. Sackett.
- HB 793 HOUSE BILL NO. 793 (relating to leases on mineral lands) -- Mr. Borer.
- HB 148 HOUSE BILL NO. 148 (relating to the Alcoholic Beverage Control Board) was brought before the committee for discussion.

Mr. Borer said that this bill provides that the Alcoholic Beverage Control Board within the Department of Revenue consist of five members appointed for overlapping three-year terms. Two members of the board shall be actively engaged in the alcoholic beverage industry. No three members of the board may be engaged in the same business, occupation or profession. Three members shall constitute a quorum for the conduct of business.

Mr. Ray said the cost is approximately \$6,000, but that it wouldn't actually be that high.

Mr. Ray felt the bill should be amended so that no member may be a wholesaler. He then moved and asked unanimous consent that HOUSE BILL NO. 148 be amended to provide:

"Two members of the board shall be actively engaged in the alcoholic beverage industry except that no member may be an officer, agent, or employee of a wholesale alcoholic beverage enterprise." No objections, so ordered. He stated that the reason for this is the fact that all the wholesalers live in Seattle.

Mr. Ray then moved and asked unanimous consent that the Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 148 be reported out without recommendation. This Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 148 was thereby reported out without recommendation, all members concurring.

HB 765

HOUSE BILL NO. 765 (relating to costs of burial of indigent persons) was brought before the committee for discussion.

Mr. Ray moved and asked unanimous consent that Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 765 be adopted in lieu of HOUSE BILL NO. 765, and that it be reported out with a "do pass" recommendation.

(The Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 765 deleted portions of the original bill starting with line 16 as follows: "Payment [TO MORTICIANS] under this section shall be [LIMITED TO PAYMENT] for funeral services [EXCLUSIVE OF PAYMENT FOR A] cemetery plot and other cemetery charges and may not exceed the amount of \$500 [\$525] with respect to any one burial. [PAYMENT FOR A

CEMETERY PLOT AND OTHER CEMETERY SERVICES SHALL BE IN A REASONABLE AMOUNT AS THE DEPARTMENT DETERMINES NECESSARY FOR A DECENT BURIAL AND SHALL BE MADE DIRECTLY TO THE PERSON PROVIDING THE SERVICES.]").

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 765 was reported out with a unanimous "do pass" recommendation.

HB 386 HOUSE BILL NO. 386 (creating the Commercial Fishermen Licensing Board) was brought before the committee. This had been assigned to the committee on 4/21/69. Mr. Ray assigned this bill to Mr. Haugen as subcommittee, and asked that it be reported out in two days.

HB 195 HOUSE BILL NO. 195 (relating to the bank tax) was brought before the committee. This had been assigned to the committee on 3/27/69. Mr. Ray assigned this bill to Mr. Croft as subcommittee and asked that he report back on it soon.

SB 309 SENATE BILL NO. 309 (appropriating to the Matanuska-Susitna Borough for reimbursement of expenses incurred as a result of defective inclusion of the Cantwell area within borough boundaries) was brought before the committee for discussion.

Mr. Hohman said this appropriates the sum of \$2,096.55. Mr. Ray said he thought this bill was legitimate, and moved and asked unanimous consent that SENATE BILL NO. 309 be reported out with a "do pass" recommendation.

All members concurred and SENATE BILL NO. 309 was reported out with a "do pass" recommendation.

Recess: Meeting recessed 9:45 a.m.

HOUSE FINANCE COMMITTEE

March 31, 1970

9:15 a.m.

Present: All members of the committee were present with the exception of Mr. Haugen. Also present were Mr. Wolfgang Falke, and Mr. Ernie Lahn.

SB 404 Mr. Wolfgang Falke appeared before the committee to present suggestions regarding establishing the permanent fund provided for in SENATE BILL NO. 404 and COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 404.

Mr. Falke said that he is Principal of the First Investors Corporation in New York, one of the oldest and largest distributors of mutual funds, in addition to other mutual fund corporations.

The question is, he said, should the fund be permanent. At this point, he said, he could not make any recommendations one way or the other on that, but his personal opinion is that he feels this fund is very important to provide an income for future generations and their children, and would like to see that people have a chance to vote on it.

The second question Mr. Falke had is who is handling the fund -- should it be the Department of Treasury or a committee. What Mr. Falke is proposing is that these funds not be handled by a committee, but by several individual managers, or companies. He believed the fund

should be set up in at least five different small funds handled by different money managers. This way there is competition. There may be some fund managers which are extremely good and maybe some not so good, but if divided among different fund managers then "the average is for you." Mr. Croft said that he could not find any place in SENATE BILL NO. 404 where there is any limitation of any type on the investments that can be made with the assets of that fund.

Mr. Falke said there is no specific limitation. In going into money management, it is very important that management handle the money. There are over 400 mutual funds in existence today and he believed more than 100 different investment advisory commissions.

If there are limits, such as only being able to invest in bonds, this is a big handicap, he said. Going back about 30 or 50 years, Mr. Falke added, and looking at funds invested at that time, often it was that they could only invest in bonds, and they lost out quite a bit because at that time 2-1/2% was quite a high return. Those funds did not keep up with inflation. Investment philosophies and opportunities change at least on a yearly basis.

What is good today may not be good five or ten years from now. This fund the state is setting up is to be "forever," he said, and they should not put any investment limitations on this fund at this point.

Mr. Falke continued, saying that real estate would be good in the future and possibly going into small business management would be good. The manager should have any possible opportunity he would like to choose. He again suggested spreading this investment out into different funds and letting different people handle it.

Mr. Croft disagreed, saying it is not a responsible route to go, that handing different groups say \$100,000,000 of public money and telling them to handle it any way they want to would be irresponsible, and that he wouldn't consider passing a bill that allowed this.

Mr. Croft continued, saying the State of Alaska is going to have some real problems concerning investment in certain industries as far as the State is concerned -- the Trans Alaska Pipeline System [TAPS], British Petroleum, etc., are companies that are investing heavily in Alaska, and for the State to invest in companies such as these could be a serious conflict, he said, and couldn't agree with the philosophy Mr. Falke is proposing. On the other hand, he said, he didn't think the state should do as they did with the teachers' retirement system and public employees' retirement - he didn't think they could take one extreme or the other.

Mr. Falke said that is a very good point, and the majority of the people feel exactly as Mr. Croft does, and like to secure the money. He then asked if they have ever

seen the booklet, "Management, Education and Dominance", which is from the ~~Falke~~^{Ford} Foundation. [Mr. Borer has a copy of this booklet.] Mr. Falke urged the committee to read this report. It points out that with this philosophy an investment in the industry showed about twice the return as the educational institutes referred to in this booklet did over the last five years.

Mr. Falke said they have plenty of funds set up for pension plans, unions, as well as individuals, and they have spread these out among companies, and because every mutual fund likes to be the best, they don't have to worry about losing their money.

Mr. Ray said this committee doesn't have these bills yet, but will certainly be getting them, and that actually a general presentation such as Mr. Falke has given is about the only thing this committee is interested in at this time. Mr. Ray suggested that Mr. Falke approach the House Monetary Investment Committee with this proposal. The Monetary Investment Committee sets the policy, and the Finance Committee determines the actual funding; therefore, it would be priority that Mr. Falke appear in front of the Monetary Investment Committee. Mr. Ray then asked Mr. Dean to take Mr. Falke up to the Monetary Investment Committee and put him in direct contact with Representative Gene Guess, who is the Chairman of the Special Monetary Committee.

Mr. Falke added before leaving that one thing of importance at this time is that the stock market is at a very low point, almost as low as in 1958, and that he would really urge them to act as quickly as possible because there is no way of knowing if the state will be able to buy as low today as they can a year from now.

Mr. Ray thanked Mr. Falke for appearing before the committee.

HB 175

Mr. Ernie Lahn, Lobbyist for the Alaska State Employees Association, appeared before the committee to testify on several bills, the first one being HOUSE BILL NO. 175 (providing for overtime pay for state employees). This bill would provide that time-and-a-half wages be paid for all overtime work performed by state employees.

Mr. Lahn said he didn't have a lot to say about this bill, but that he felt it was only fair that the state treat its employees in the same manner as they expect other employers to treat their employees.

One significant point is the fact that they have talked to the State administration for more than two years about overtime, not necessarily time-and-a-half, but "just getting the mess straightened out." There are tremendous inequities, he said, from one extreme to the other. Some state employees are getting paid time-and-a-half today under the federal law (a very small number of

employees), other groups are getting paid straight time for their overtime work (such as the Department of Highways), and then there is a combination of methods of compensating, depending upon the agency - some have "comp time," straight "comp time," and others no "comp time" at all. One agency tells its employees they are required to work overtime with no compensation at all. Mr. Ray asked if the employees are told this before they are hired, and Mr. Lahn said he couldn't testify to that. Mr. Croft said that one of the purposes of overtime, besides fairness, was to insure that instead of having a few people making a lot of money, the employment should be spread out. At Fish and Game, college kids come up in the summer and work, there is a difference there, he said, but in other departments long-time permanent employees are sometimes being forced to work overtime. Mr. Lahn said the only way the inequity that presently exists can be straightened out is by law. Overtime is a controllable item, he said, and one way to control it is by hiring more people. Another way is to level the work load, which can be leveled to some extent. Mr. Croft asked if there is a distinction made by state service between temporary and permanent employees. Mr. Lahn said he is not sure whether there is on overtime, a temporary employee is someone working less than six months with no fringe benefits.

Mr. Croft wondered about the possibility of making this bill apply only to permanent employees, thereby reducing the cost factor.

Mr. Lahn said this could be done, but was not sure it would reduce the inequity.

Mr. Bradner asked where the inequities are. Mr. Lahn said that when a person starts working 80 hours a week, it would seem more profitable to hire two people. Mr. Croft said he would like to see everyone treated as fairly as possible; however, his initial concern is the long-time permanent employees, and he would rather take that route. Mr. Lahn said they are required even with temporary employees to hire residents before hiring nonresidents.

In answer to a question posed by Mr. Bradner regarding temporary employees, Mr. Lahn said this brings up an interesting point -- he is running a real risk in lobbying for a time-and-a-half overtime bill because there are many members of his association that are afraid they will lose their straight time; for example, Department of Highways employees -- when the contractor works 16 hours a day the employees must work also. They should have two crews, but often management feels it is easier to work with one crew, and these people like to make the overtime.

Mr. Lahn said he thought this bill would put more "teeth" in management than anything else. Often there is criticism of state management levels, he said, but he thought in the long run they are much better off.

Mr. Bradner said that because of mismanagement employees are often required to work overtime, possibly causing hardship to the employees families, and that much of the overtime they are talking about here is keyed to the management program.

Mr. Lahn said that straight-time overtime leads to a lot of abuses because of the fact that it is easy to let the present staff work overtime straight-time instead of hiring additional personnel.

Mr. Croft suggested that there would be abuses either way. With reference to whether the overtime would start after 37-1/2 hours a week or 40 hours a week, Mr. Lahn said he is recommending anything over 37-1/2 hours a week be overtime. Mr. Ray asked why not 40 hours, and suggested making it straight-time up to 40 hours, and after that time-and-a-half. He added that this would cost \$765,000. Mr. Lahn said a good example of those employees requiring overtime would be a fisheries biologist; many of them work extremely long hours. Mr. Ray expressed his feelings on this, however, saying that there is a certain segment of employees in any business or industry that simply

cannot manage to get their work done during regular working hours and then have to work overtime to make up for it. Mr. Lahn said all overtime would have to be authorized, it would not be left up to the prerogative of the employee. The problem is, he said, that there are only very few areas that justify working overtime, but in some areas such as the Department of Highways, the State Police and others, it is necessary.

Mr. Bradner said the real area of abuse is the supervisors that "goof-up," throwing the staff behind in their work.

Mr. Ray said the real "goof-up" is in places like the Department of Labor where there is nothing real pressing or of urgency, but there is still a lot of overtime.

Mr. Ray then asked Mr. Lahn to come back before the committee at 1:30 p.m. to continue his presentation on various bills.

HB 806

Then, addressing the committee, Mr. Ray said that he had before him an act relating to coin operated devices. According to the law, he said, anyone under the age of 18 could not legally use a coin operated machine. Yet in the recreation room of the Juneau High School there is a coin operated pool table, and technically it isn't legal for them to use it. This could also technically apply to candy machines, pop machines, etc. All this bill does, he said, is repeal that section of the law

relating to this. He asked that the committee members think about this between then and the 1:30 meeting, and they would consider it at that time.

Recess: Meeting recessed 10:00 a.m.

HOUSE FINANCE COMMITTEE
Tuesday, March 31, 1970
1:30 p.m.

Present: All members with the exception of Messrs. Croft and Hohman. Also present from the city of Valdez were Mr. George Gilson, Mayor, Mr. Gordon Brunton, Member of the School Board, Mr. Charles LaPage, Member of the City Council, and Mr. John Kelsey, Chairman of the Port Commission. Senator Koslosky and Mr. Ernie Lahn, lobbyist for Alaska State Employees Association were present, too. Mr. Ray called the meeting to order at 1:30 p.m. He requested Mr. Borer to introduce the witnesses. Mr. Borer explained that Messrs. Gilson, Brunton, LaPage and Kelsey were present because Valdez has run into a cash flow problem. They are not looking for any grants from the state, but they would like to know if there is any way they can be assisted by the state, he said. Mr. Gilson said that they are down in Juneau searching for some way the state can help them meet this emergency impact problem. He said that their situation is unique. They have a population of \$1200 and people are going to spend \$100 million to \$150 million right in their area, and so those people are expecting services because in the meantime Valdez has annexed the area where the development will be happening. Mr. Gilson showed this area on a map, and mentioned that this area includes the pipeline terminal

so that industrial facility is right within the Valdez city limits. They are asking the state if there is any way they can be loaned the money and then have an assignment of taxes from the terminal or some such arrangement which would permit the city to cope with this flood of people. He said they are talking also about the impact on schools. Right now the schools have beyond the number of pupils they were built for. Because Valdez annexed the whole area, there is even a greater urgency to provide services. He said that the TAPS people will want to know where the schools are for their 200 or so children. Essentially, Mr. Gilson continued, they are asking that some way be considered that they would be funded and so permitted to do these things that have to be done until they have the money to pay the state back. He said that they do not have their "hands out" - they are not requesting appropriations or grants from the state. They fully intend and expect to pay the state back. They are merely asking that the state be a banker.

Messrs. Croft and Hohman came in at this time.

Mr. Gilson said that the whole situation comes right down to money. He said he could testify at length on the need that will be created for education, public safety, utilities, planning and of course the port itself. The first year there will be 1200 arrivals and departures so it will be the largest port in the North Pacific. He said

that the Port Authority was created at the request of TAPS. He said that they feel they have a good foundation to make a good port, and they think they have the ability to pay back the funds they need, but they need a banker in the interim period.

Mr. Ray asked what their rate of bonded indebtedness is, and Mr. Gilson said almost nothing - about \$50,000. Mr. Brander asked about Item I, B on the Report to the State of Alaska [see page 114] which had been passed out to the committee, which read "true cost of New Town to individual taxpayers." Mr. Gilson said that their millage rate is 15 mills now, and he said that he has heard some comment that perhaps the city is not taxing itself realistically, but he said in their case, having moved from Old Town down to New Town, they are all individually in debt, in fact to SFA, and 15 mills on that type of valuation with no depreciation is a pretty staggering tax rate. Mr. Borer noted that they also have a 4% sales tax. Mr. Gilson said that 80% of the people employed in Valdez are state workers, which means they are all fixed salaried people. He cited the example of one man who in Old Valdez had a \$4,000 home and after moving to New Valdez he is now paying taxes on a \$40,000 home. It is because of situations like this that they put in their True Cost of New Town to individual taxpayers as a factor

in the current situation at Valdez.

Mr. Bradner asked what the valuation is. Mr. Gilson said that he thinks \$7,500,000 is their tax base. If they were permitted to tax the state hospital, Highways complex, housing development, this would be a larger figure, he added. He said that there is no big reserve to be taxed. Most of the people are already in trouble. Mr. Gilson said that they have two problems. They need immediate monies to keep operating on, and they are trying to maintain a state of readiness for the day the permit is granted when they will be swamped. He cited an instance in the matter of police protection, where they talked with the Commissioner and asked for two state troopers, but they couldn't minimize their share of protection as there have been many bad feelings in the Department of Public Safety from communities requesting state troopers who then turn around and suspense with their city protection, and so Valdez with its 1200 people currently has 5 policemen, two state and three city, which is a little unrealistic; however, they are expecting the permit any day which will change things considerable.

In response to further questioning by Mr. Bradner, Mr. Gilson said that they are asked why they don't have housing down on their list under D "local efforts in readiness for expected impact" on the report, but he said that they are gambling that housing will be taken

care of by private enterprise.

Mr. Bradner asked if then their main problem is capital funds to construct school facilities, and Mr. Gilson said that it is for school facilities, and fire, planning, protection and things like this - they all must be part of the capital program.

Mr. Ray asked what figure they are talking about, and Mr. Gilson said \$5,000,000 for the first year, or a total of \$25,000,000 for five years. Mr. Ray asked what the rate of pay back would be, and Mr. Gilson said that they would like to pay it back in 20 years. They would like to have three or four years before they start. He said for the benefit of the taxpayers not in the Valdez area they would assign taxes. Mr. Borer said that that is going to be their overall need in the 5 year period but once the permit is granted in a couple years they will have a multi-million dollar capital tax base. Once they have a \$100,000,000 terminal then there will be no problem "cutting" the bonds. Mr. Gilson emphasized that the \$25,000,000 and \$5,000,000 figures are very coarse, rough estimates. Mr. Bradner asked what the specific amounts are. Mr. LaPage said that in approximate amounts, \$5,000,000 is for schools, \$8,000,000 is for public works projects, \$1,000,000 is for public safety, mainly increased fire protection. Mr. Kelsey said that they have talked with

TAPS people and they mentioned specifically fire fighting and^{they} have indicated they will provide some kind of fire fighting facility. He said that Valdez is a home rule city and they can charge the TAPS people on the basis of services provided.

Mr. Croft asked that Mr. LaPage continue on the estimated expenditures. Mr. LaPage said that they estimate about \$3,000,000 for utility systems, primary water systems, upgrading existing systems; \$4,000,000 or \$5,000,000 for Port facilities; and \$4,000,000 or \$5,000,000 for Parks and Recreation, public buildings, pollution control. He said that this was as close as they could come in drawing a perimeter on what they would need.

Mr. Bradner said even though the state made the money available the city would still have to work to bond themselves, and he was told that that is right. Mr. Borer said that what they are looking for is bond anticipation notes for whatever portion is needed.

Speaking of schools, he said that they have room for 300 students, there were 227 when school started this year, there are 310 now and 450 are expected next fall. He personally suspects there will be more than that. He said that somehow they must get some relocatable classrooms. Mr. Croft asked what types of estimates they are making in terms of schools, how accurate they think they are. Mr. Gilson said that he couldn't answer, their information from TAPS is vague. He said that the estimates Mr. LaPage gave are the best estimates they could make

with the information available to them. Mr. Bradner asked when talking about the schools how many students they are talking about, and he was answered 800 to 1,000 at the end of five years. Mr. Borer noted that there was \$1,150,000 spent for the Metlakatla school for 100 students. Mr. Croft asked if the \$5,000,000 is for construction or operation and was answered construction. Mr. Croft asked what they come up with as a population total, and Mr. Gilson said that based only on their estimates from TAPS it looks like there will be 4,000 to 5,000 [Valdez is now 1200]. Mr. Croft asked what they envision in Public Works, and Mr. LaPage said street improvements, sewer lines, treatment plants, maintenance facilities. Mr. Sackett asked if they have an itemized cost breakdown on paper, and Mr. Gilson said yes, and agreed to make it available to the committee. Mr. Ray asked if after the five years if they are anticipating a continuing amount of activity and Mr. Gilson said it will, of course, reach a plateau and when they stop drilling wells it will stop, but that there will still continue to be a lot of activity. Mr. Gilson again emphasized Valdez fully expects to pay this money back. He said that he feels they were very forward looking in annexing the area they did - he said they have at least taken steps available to make this a business like arrangement.

Senator Rader came in at this time.

Mr. Haugen asked how much of that property TAPS is going to develop that first year, and Mr. Gilson said they have asked for five docking facilities. Mr. Haugen noted then that that would be credit to the tax base in Valdez. Mr. Ray asked if TAPS has applied for a tax incentive credit, and Mr. Gilson said no. He said that he does not know when they will pump oil - he said that in order to pump oil they need 17 tanks and two terminal facilities.

Mr. Haugen noted that there will be other associated industries that will probably come in. Mr. Gilson said that that is the way they see they will be paying back with the broader tax base. Mr. Haugen said that then what their problem is is that they are faced with something not coming in on them normally so they could develop naturally but coming in all at once when they don't have time to slowly build up themselves, and Mr. Gilson said that this is correct.

Mr. Ray asked if the school district there is state operated or district, and Mr. Brunton said district. Mr. Ray asked how they support it, and Mr. Brunton said about half of their real property revenues - 7 or 8 mills - they have 4% sales tax.

Mr. Kelsey said that right now there are two barge unloading facilities under construction, and this is going to be another half to three quarters of a million dollars

added to their tax base.

Recess: Meeting recessed at 2:25 for five minutes.

City of Valdez, Alaska

REPORT TO THE STATE OF ALASKA

- I. Current situation and expected impact from TAPS Terminal
George Gilson, Mayor
 - A. Local economy, 80% plus state employment.
 - B. True cost of New Town to individual taxpayers.
 - C. Funds locked up by Urban Renewal.
 - D. Local efforts in readiness for expected impact.
 1. Education
 2. Public Safety
 3. Utilities (Water and Sanitation)
 4. Planning
 5. Port control

- II. Valdez School System
Gordon Brunton, Member School Board (Fire Chief)
 - A. Enrollment history and projections.
 - B. Present capacity and future requirements.
 - C. Improvement of curriculum and efforts toward accreditation.
 - D. Construction program.
 1. Immediate situation - permanent and transient
 2. Estimated cost in 1970 - \$1.94 million.

- III. Local taxes and Annexation program.
Charles LaFage, Member - City Council (Finance Committee)
 - A. Tax Structure, current and prior policy.
 - B. Annexation and reasons for extended boundaries.
 - C. Provisions for governing annexed area.
 - D. Comprehensive general plan and new fiscal policies.

- IV. Port of Valdez
John Kelsey, Chairman Port Commission
 - A. Background of Valdez Port operations.
 - B. Operation, policy and planning of Port functions.
 - C. Tidelands and related problems of control.
 - D. Effect of TAPS terminal on local economy.

AFTER RECESS
2:35 p.m.

Present: All members except Mr. Borer. Ernie Lahn, Alaska State Employees' Association, was also present.

HB 175 There was a discussion on HOUSE BILL NO. 175 (an act providing for overtime pay for state employees).

Mr. Ray read from the memo that had been received from B. N. McVay, Deputy Commissioner of the Department of Administration:

"overtime hours	299,000
overtime compensation (straight time)	\$1,578,000

If time and one half had been paid for these hours, the total cost would have been \$2,367,000 an increase of \$789,000 over the actual amount paid."

Mr. Lahn said that in private industry when they run out of overtime they quit working. Mr. Lahn felt that overtime should be a separate line item in the budget.

Mr. Croft asked if Mr. Lahn felt the fellow who goes out of town on state business and spends 24 hours if that should all be considered overtime. Mr. Lahn said it would be up to management supervision to authorize the overtime. Mr. Lahn felt that an employee traveling should be paid overtime if he was working overtime but should not be paid for time not on the job, i.e., when he was sleeping.