

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2504

firemen. Miss Hackwood reminded the committee, however, that they had decided to make participation in the retirement system optional if a person is hired after having been retired. There was then discussion on whether the political subdivisions which are a part of the retirement system are an integral part of the system or are "satellites". Miss Hackwood said that they are an integral part of the system.

Mr. Lahn came in.

Mr. Ray asked how legislators fit into the retirement system. Miss Hackwood said that they are entitled to service credits. She said that after 8 years legislators could pay up and be in the retirement program.

In Sec. 10 on page 4, the committee decided to delete the new language and put the original language back in.

On page 5, line 21 the committee decided to delete the new language.

Mr. Dean pointed out that on page 10, line 23, if there is no surviving spouse provision has been made that the children should get the money, and he asked if the committee wanted this same provision on page 9, and the committee agreed that they did.

Mr. Ray directed Mr. Dean to complete the drafting of the bill.

Recess: Meeting recessed at 10:00.

4/16/70

AFTER RECESS
1:40 p.m.

Present: All members. Representative John Schwamm was also present. Miss Hackwood and Tom O'Donnell from the Department of Administration were also present. Mr. Richard Freer, Budget and Management, was also present.

HB 814 The committee briefly considered HOUSE BILL NO. 814

(an act relating to a program of state aid for municipal purposes). Mr. Ray referred to a draft copy of comments of the Department of Public Safety regarding the criteria they think should be in the bill in the section regarding police protection. Under Section 1, paragraph (1) of the bill reads: "(1) \$10 [~~\$5~~] per capita to cities and boroughs providing police protection, subject to the conditions of (g) of this section;" and Mr. Ray read from the following statute:

Sec. 43.18.010. "(g) If a city within an organized borough provides police protection services, the borough may not qualify for aid under (a) (1) of this section unless

- (1) police protection services are provided in the borough area outside cities, or if limited to a service area, in the service area, through borough contract with a city or the state or
- (2) the borough assumes and exercises power to provide police protection services on an areawide basis in the manner provided by law."

Mr. Ray said if the city provides this the borough doesn't qualify for it. Mr. Croft added that the borough either has to provide area wide service or if it is a service area it has to contract with the city. Mr. Ray said this section gives the idea of who qualifies for this but does not put down any criteria.

HCSSB 463 The committee reverted back to the discussion on the proposed House Committee Substitute for Senate Bill No. 463. Section 7. (c) read: "The monthly amount of the normal retirement pension for a peace officer or a fireman is two per cent of his average monthly compensation times his years of credited service..."

Mr. Sackett asked Miss Hackwood how she felt about the 2 per cent as opposed to the 2 1/2 per cent which had been requested by the Fraternal Order of Alaska State Troopers. Miss Hackwood said she felt that the 2 per cent is a reasonable factor at this stage of the game. She felt that they should have some experience with the 2 per cent first and that if they start out with the 2 1/2 per cent this would preclude the possibility of increases within the near future.

Miss Hackwood said she would hate to see the cost of this spread over the entire retirement system.

Miss Hackwood felt they should establish a base program with the possibility of improvement within the next two or three years.

Miss Hackwood said that after the last finance committee meeting she had talked with Captain Burton and Mr. Chafin and they had indicated the 2 per cent would be satisfactory. Mr. Croft said he had been told by the state troopers that they are critically concerned with the 2 1/2 per cent and that this is what they wanted.

Mr. Ray said they are asking for half pay retirement after twenty years and asked what this would cost. Miss Hackwood said this would be 7.665% or \$3,206,899. Mr. Ray read from page 1269 of the minutes which referred to Mr. Chafin's testimony: "Mr. Chafin said that what they are asking for is half pay retirement after 20 years."

Mr. Van Houte entered the meeting.

Mr. Ray referred to testimony on page 1272 of the minutes which said: "The only change they are asking for deviating from the original SB 463 is that their retirement be computed at 2 1/2 per cent times years of service rather than 2% and that retirement be at 20 years regardless of age."

Miss Hackwood reiterated that she did not say the 2 per cent had been agreed upon in the committee room but rather in a

discussion in the hall after the meeting.

There was a brief discussion on the calculations on this that had been prepared by the Department of Administration and Marsh-McLennan Consulting Actuary [see pages 1331-1332 of the minutes].

Mr. Ray asked if the 2 1/2 per cent were used it would cost the state approximately \$120,000 more and Miss Hackwood said this is correct. Mr. Ray asked what the justification is to pay \$120,000 more the troopers than the other state employees. Mr. Croft said their duties are hazardous and they are contributing 5 per cent in comparison to the 3 1/2 per cent contributed by other state employees.

Mr. Ray said a policy matter would have to be decided as to whether they wanted to give the state troopers and firemen \$120,000 more than the rest of the state employees. In answer to Mr. Haugen, Mr. Croft said that when the committee heard testimony on this from representatives of the state troopers, the only discussion was on 2 1/2 per cent and then after they had gone they changed it from 2 1/2 per cent to 2 per cent and he did not feel this was fair. Mr. Borer said as far as hazardous duty is concerned they should also consider some of the Fish and Game employees and there was a brief discussion on the danger involved in various jobs in the Department of Fish and Game.

Mr. Croft pointed out that the employees at Fish and Game had never said it was so bad they were willing to pay more in retirement as the troopers are willing to do.

Mr. Croft again said this was changed to 2 per cent afterwards and Mr. Ray said at the time of testimony he was not aware there was so much of a differential.

Mr. Ray asked how many firemen and policemen were in the state and Miss Hackwood said there were 193 as of December 31, 1969. Mr. Ray asked how many state employees there are and Miss Hackwood said 4,187.

Mr. Borer said he would like to know what the policemen and firemen get for the extra money they are paying in for retirement. Mr. Ray said they get increased benefits and early retirement.

Mr. Ray asked what the state employees get on occupational disability and Miss Hackwood said this depends on their age of occupational disability. Mr. Croft asked how much the policemen and firemen receive for occupational disability and Miss Hackwood said $66 \frac{2}{3}$ of their salary.

Mr. Ray referred to this section of the committee substitute which read:

"(c) The monthly amount of the normal retirement pension for a peace officer or a fireman is two per cent of his average monthly compensation times his years of credited service. For every other employee it is one per cent of

his average monthly compensation times his years of service up through 10 years, plus one and one-half per cent of his average monthly compensation times his years of service from 11 through 20 "

There was a brief discussion on this. Mr. Borer pointed out that the firemen and policemen are paying 30 per cent more but they are getting 25 per cent more benefits. Mr. Croft said they were paying 40 per cent more.

Mr. Croft moved to change "two per cent" on line 14, page 3, to "two and one-half per cent." There was a brief discussion on the amount of benefits the policemen and firemen were receiving.

The question called, the motion failed 2 to 5 on Mr. Croft's motion to change "two per cent" to "two and one-half per cent."

Mr. Croft moved to change this section to add "plus two and one-half per cent of his average monthly compensation times his years of service over 10 years." Mr. Bradner felt if they adopted this the municipalities would come under the state program. Mr. Croft felt if they want to keep the state troopers they have to pay them more. He pointed out there the troopers put in 60,000 hours of uncompensation overtime. Mr. Borer asked Mr. Croft if he thought the retirement program would make the difference.

Mr. Croft felt this is one of the things that would, and pay is the other.

Mr. Borer moved to amend the motion to read "2 per cent for the first 15 years and 2 1/2 per cent thereafter."

The amendment failed 1 to 6.

The question called, the motion carried 4 to 3.

Mr. Ray requested that Miss Hackwood get the cost figures on this and make them available to the committee.

So HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 463 was passed out of committee with 5 "do pass" recommendations, Mr. Haugen and Mr. Borer voting "do not pass in present form."

Recess: There was a recess at 2:20 p.m.

AFTER RECESS
2:30 p.m.

SB 455 am The committee considered SENATE BILL NO. 455 (an act relating to the teachers' retirement system). In answer to Mr. Sackett, Miss Hackwood said this bill changes the benefit formula from 1 1/2% to 2%, the normal retirement from 60 years of age with at least 15 years of creditable service to age 55 with 30 years of creditable service, and changes the contribution rate from 5% to 7% of teachers' base salaries, and also changes the matching contributions

for both employer and state from 2 1/2% to not more than 10% to be divided equally by the state and the political subdivision.

Miss Hackwood said that when the evaluation was completed on the teachers' retirement system, the actuary had advised that the teachers retirement was out of balance.

Miss Hackwood said the total requirement under this bill would be 9.085% to be divided by the state and the school district. She said the expected payroll, including the University, would be slightly over \$71,000,000.

Mr. Ray asked how much the state is paying now and how much of an increase this would be. Miss Hackwood did not have this but agreed to furnish this information to the committee. [See page 1381 for memo from B. McVay, Deputy Commissioner of the Department of Administration.]

Miss Hackwood and Mr. O'Donnell left the meeting.

Mr. Richard Freer, Budget and Management, entered the meeting.

HB 814 The committee reverted back to the discussion on HOUSE BILL NO. 814 (an act relating to a program of state aid for municipal purposes). Mr. Ray asked for a cost estimate for the \$10 per capital for police protection. Mr. Freer said this would be \$1,223,680 based upon the per capita figures that were used for the current year.

Mr. Freer said that line 16 of the bill, providing \$5 for fire protection would cost \$919,612. Mr. Freer said that line 7, page 2, providing \$2 to cities and boroughs for air or water pollution control or both would be \$296,866. Mr. Freer explained that all he was doing was doubling the figures they had come up with by using the \$1 per capita cost. Mr. Freer said that the cost for land use planning would be \$16,804. He said that \$5 per capita for parks and recreation is estimated to be \$639,740. Mr. Freer noted that this is a new section.

The cost for transportation facilities would be \$479,630 for boat harbors and ports, \$304,915 for municipal airports and \$880,200 on the road maintenance, Mr. Freer added. Mr. Freer said regarding the health care section of the bill, they had received preliminary information from the Department of Health and Welfare. He said there are approximately 784 beds which would cost \$784,000 under this section. However, the bill provides for other types of health facilities and they rounded the total of this out to \$1,000,000, Mr. Freer said. The total for the entire bill would be \$6,161,447 and Mr. Freer reiterated this

would be without any growth factor between this year and next year as far as population or additional local governments coming in under this program.

In answer to Mr. Croft, Mr. Freer said there should be some growth factor built into the \$6,161,447 figure.

Mr. Freer noted that Spenard, which has a population of 20,076, is not included in this.

Mr. Ray referred to the draft copy summary regarding police protection and said possibly this should read: "Maintain a police department consisting of at least one position worked on a full time basis with the following qualifications:

(a) police officers must be U.S. citizens,"

Mr. Borer questioned why they should have to be U.S. citizens and there was a brief discussion on this.

Mr. Ray suggested that the next qualification should read:

"(b) must have reached the minimum age of 19 years."

The next qualification read:

"(c) must not have been convicted of a crime involving moral turpitude."

Section 2 of the draft reads:

"Provide for the prevention and detection of crime and the enforcement of the criminal and traffic laws of the state and ordinances of the municipality."

Mr. Ray directed Mr. Dean to find the correct wording on this.

Mr. Hohman moved to delete the next item which referred to traffic citations:

"3. Provide the Department of Public Safety with:

(a) copies of Uniform Traffic Citation issued by members of the participating agency.

(b) copies of officer's Traffic Accident Investigation Reports.

(c) Photographs and fingerprint cards of those persons arrested by members of the participating agency."

Mr. Croft said he thought this would put too much of a burden on the small communities. There was a brief discussion on this and Mr. Hohman said he was curious to know what the magistrate court does with records of people arrested on traffic violations.

Mr. Hohman questioned the wording suggested by Mr. Ray for section 1, page 2 of the draft. Mr. Ray said this would say one position but would allow 5 or 6 men to do this.

Mr. Hohman suggested this read "at least one position provided for full time public safety as deemed necessary by the local government." Mr. Bradner said if they want to offer an incentive for communities to provide police protection then possibly they should say they must provide a full time municipal employee who has the duties of a

policeman. Mr. Bradner said this man could have other duties but he must be the "town cop." There was a discussion on how this would apply in certain villages. Mr. Ray said this section means there is some policeman delegated to keep the order and that he would have to be available. In answer to Mr. Bradner, Mr. Ray said they would be required to maintain equivalent to one full time position. Mr. Ray said they would write up this with the legislative intent right behind it. Mr. Ray said they are trying to fix this so they will qualify and yet have some benefit. Mr. Ray said if a village is getting \$2,000 for police protection when a regular run of the mill infraction comes up and a person has to be taken into custody it shouldn't be necessary to call in a state trooper. This was discussed briefly.

Commissioner Mel Personett, Department of Public Safety, entered the meeting.

Mr. Ray explained to Commissioner Personett that in some of the smaller villages that would like to participate there is not enough to keep one man for a police officer and the committee was trying to work out something where a position or equivalent of this would be available on a 24 hour basis.

Mr. Personett said that if the standards were too high the people who needed this the most would not get it yet they wanted to make some type of standards so money appropriated to improve police service would be used for police protection. Mr. Personett said he personally did not know whether this should go to each individual area. He said he was open to suggestions as far as standards for police protection.

Mr. Ray said it is the intent of the committee to try to establish some kind of criteria. Mr. Personett said the standards were taken from HB 179. Mr. Bradner said allowing a village to designate one employee to be available would get them closer to having a full time employee. He said perhaps this person could keep whatever equipment is necessary.

Mr. Personett suggested possibly instead of saying a police officer must be a full time employee they could say he must be available 24 hours a day.

Mr. Personett said the Department of Public Safety would furnish the print cards and traffic citations to the villages. Mr. Bradner said they could possibly use one man for several municipal functions. He said he believed the closer they could come to paying one man for a full time job the closer they would be to actually providing some services they want.

In answer to Mr. Croft, Mr. Personett said they are willing to send a trooper into the villages but what they are objecting to is when they have to send a trooper in to arrest a simple drunk.

Mr. Freer said that they administered these programs this year and that any community that certified they had any type of policeman were paid either \$30 or \$50 a month.

Mr. Freer said they gave this a liberal interpretation this year with the knowledge in some instances this was not provided. Mr. Ray said they had given them one year's benefit and now wanted to put in some guidelines.

Mr. Personett said there were several villages that indicated they did not have a police department but if they got the money for this they would pay a man to be a policeman.

Mr. Ray said if they said a fourth class city that has a public safety factor of 24 hours a day then this could be changed when the city goes up into higher population and there is a demand for a solid police department.

HB 179 Mr. Personett said that HOUSE BILL NO. 179 (an act establishing the Alaska Police Standards Council) sets up a Council and he felt they would have to have certain levels if and when this passes.

Mr. Ray said maybe they should go on the idea that the fourth class cities that do not maintain regular recognized police departments must do this and suggest if they have recognized police departments they would get the money anyway. He added they want to help these people into helping themselves.

In answer to Mr. Bradner, Mr. Ray said all they have to do to qualify for fire protection under this bill is to have a list of names of men on the fire department.

Mr. Haugen said that every municipality, regardless of what class, has a city council and the city council could name someone as a police officer.

Recess: The meeting recessed at 3:25 p.m.

AFTER RECESS
3:30 p.m.

Mr. Schwamm had left the meeting.

Mr. Ray said that section 1, page 2 of the draft would read "Maintain the equivalent of at least one full time police officer." Mr. Bradner asked his definition of full time. Mr. Ray said somebody available to act in the capacity of a police officer. Mr. Bradner said that saying available 24 hours a day would imply there might be a full time person.

Mr. Sackett asked Mr. Personett his opinion on this.

Mr. Personett said perhaps they could combine everyone's

thoughts and say the villages must reach this level this year -- next year they must reach a certain level and increase the level of average police service up to a standard of 1 or 1 1/2. This was briefly discussed. Mr. Freer suggested they might require the villages to demonstrate some financial support. Mr. Bradner said they might maintain availability of a policeman and some financial contribution on the part of the community. Mr. Personett said this might be an answer. Mr. Ray requested the staff to have a committee substitute prepared that would include the idea of local police protection 24 hours a day to the limit of minor crimes. The committee agreed to include "must be U.S. citizens, must have reached the minimum age of 19 years." The committee discussed moral turpitude. Mr. Personett said they usually do not use the term "moral turpitude" as this can mean just about anything. The committee decided to eliminate section 3 having to do with citations and traffic accident reports. Mr. Personett left the meeting. The committee decided that the section of the draft having to do with fire protection was satisfactory. Mr. Freer said he thought the Department of Administration could administer that part.

The committee discussed the section of the draft pertaining to air or water pollution. Mr. Sackett pointed out that under this Anchorage would get over \$100,000 for air pollution.

The committee decided to take out the reference to date on air pollution so it would read:

"The municipality was engaged in a comprehensive study of the air pollution program and/or had completed and was implementing such a study."

The committee also decided to take out the date in the section on water pollution so it would read:

"The municipality was providing primary or secondary treatment of sewage as defined in Alaska's Water Quality Standards, or was in the process of constructing primary or secondary treatment facilities."

Under land use planning, the committee decided to eliminate the date so it would read:

"The municipality had adopted a comprehensive land use plan and was implementing the plan through zoning, or was in the process of preparing or up-dating such a plan."

The committee decided to included the following two paragraphs under land use planning:

"The municipality has on its staff a planner whose time is devoted predominantly to planning and plan implementation.

The municipality is implementing planning by availing itself of the State's Continuing Planning Advisory Service Program through the Alaska State Housing Authority."

Mr. Freer said that road maintenance was where they had the most problems in rationalizing the dispersement of money. He said they ran into problems in whether trails qualify. Mr. Ray suggested putting a period after alley-ways on page 8 of the draft and eliminating the rest of that paragraph. Mr. Ray said this does not apply to trails as they are not maintained by the Department of Highways. He said this applies to paved roads or secondary access roads in a municipality. There was a brief discussion on this and the meeting adjourned at 4:05 p.m.

MEMORANDUM**State of Alaska**
DEPARTMENT OF ADMINISTRATION

TO: The Honorable Bill Ray, Chairman
House Finance Committee

DATE : April 16, 1970

FROM: B. N. McVay *BW*
Deputy Commissioner
Department of Administration

SUBJECT: Cost SB 455

Calculated on a projected payroll of \$71,279,365 for certified personnel in the Alaska public schools, and the professional staff of the University of Alaska, the cost requirements of the Teachers' Retirement Fund are as follows:

	<u>State Cost</u>	<u>Employers Cost</u>
Cost of Present Plan (2.5% of Payroll)	\$1,781,984	\$1,781,984
Cost Under SB 455 (4.542% of Payroll)	\$3,237,508	\$3,237,508
Increase to State	\$1,455,524	\$1,455,524

As Miss Hackwood explained during your meeting on April 16, at the present time the Teachers' Retirement Fund is unfunded by .623%. Therefore, \$444,070 is required to bring the Fund into balance.

Recap of Teachers' Contributions:

Under Present Act (5%)	\$3,563,968
Under SB 455 (.7%)	<u>4,989,555</u>
Increase	\$1,425,587

HOUSE FINANCE COMMITTEE
April 17, 1970
9:30 a.m.

Present: All members were present. Also present was Mr. Bob Mottram from the Associated Press.

HB 814 HOUSE BILL NO. 814 (relating to a program of state aid for municipal purposes) was brought before the committee for discussion.

Copies of a proposed committee substitute of the bill were passed to members of the committee. [See minutes of April 16, 1970 for discussion of amendments.]

Mr. Bradner questioned the section on transportation, and Mr. Ray said transportation is a new concept so he thought they should leave it alone this year.

Mr. Ray asked if they were all in agreement as far as the criteria in Section 1 was concerned, and Mr. Borer said he talked to the City Manager of Cordova who was down here last night, regarding the section on air and water pollution control; specifically (A), "in order to qualify for air pollution control aid the municipality shall either be engaged in a comprehensive study of the air pollution program or implementing an air pollution control program..." With these little communities, he said, there is only \$1,200 or \$1,400 in each one and all they can be doing with that kind of money is entering into a preliminary plan. Mr. Borer said this bill is refining it substantially.

Mr. Ray disagreed and felt that it did not. He said they only had to be engaged in a comprehensive water pollution study, and he didn't think there would be any problems with that.

Mr. Borer still felt the committee substitute defined it too much.

Mr. Haugen asked if they are working with the industry already and industry is working on the problem in cooperation with the city, they would qualify, and Mr. Ray replied yes, and again stated that he didn't think there would be any problem with it.

Mr. Ray felt the only way they could find out if they were in agreement on the committee substitute was by a show of hands. Therefore, on (1), "\$10 [\$5] per capita to cities and boroughs providing police protection, subject to the conditions of (g) of this section;" a show of hands indicated the members were all in favor of this change.

On (2), "\$5 [\$2.50] per capita to cities and boroughs providing fire protection;" a show of hands indicated the members were also in favor of this change.

Mr. Ray then asked if there were any objections to HOUSE BILL NO. 814 as far as the dollar values in the original bill were concerned. There were none.

Mr. Ray then moved that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 814 be reported out with a "do pass" recommendation.

Mr. Croft objected, and asked if this is all that is proposed to be included in HOUSE BILL NO. 814.

Mr. Ray said no, transportation, recreation, hospitals -- the rest of the bill, remains the same.

Mr. Croft withdrew his objection, and Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 814 was reported out with a unanimous "do pass" recommendation.

B 828

HOUSE BILL NO. 828 (creating a long-range fisheries research and development program for the state) was brought before the committee.

Mr. Ray asked that the first sentence be eliminated, which reads, "It is the purpose of this Act to use funds realized by the state from nonrenewable resources to advance the orderly and long-range development of the state's fisheries, a renewable resource."

Mr. Borer suggested eliminating the whole first section, which was just a statement of purpose.

Mr. Dean said that the purpose does not go into the statutes.

Mr. Ray said that the language in the body of the bill sounds alright, and moved and asked unanimous consent that Section 1 be deleted and the other renumbered accordingly. No objection, so ordered.

Mr. Haugen asked if there shouldn't be some legislative intent that before appropriations are approved by the legislature the department present the legislature with

CORRECTION

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HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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a plan, year by year, of what they propose to do.

Mr. Croft said they don't have to appropriate money unless the department does present a plan.

Mr. Haugen referred to some of the problems they have had in the past, specifically with \$350,000 in the budget a few years ago for special projects.

Mr. Ray suggested they add a section on the appropriation bill [HOUSE BILL NO. 829] saying that, "The department shall be required to submit to the Governor annually..."

Mr. Bradner said that in the long run it will probably be a research fund that will need flexibility when they get involved, for example, in a cooperative project in the summer and can't wait until the legislature meets.

Mr. Ray said they should submit their plans to the Governor.

Mr. Borer referred to page two of the bill, particularly numbers (2) and (3), and said that the department doesn't have any business getting involved in these things at this point, that is, "(2) accelerate the responsible development of the fisheries resources by encouraging increased utilization of these resources;" and "(3) research and improve the marketing and transportation aspects of fisheries resources." Mr. Haugen agreed that that is beyond their scope of responsibilities.

Mr. Ray moved and asked unanimous consent that (3) be deleted

and the others renumbered accordingly. No objections, so ordered.

Mr. Borer referred to number (5), "encourage the investment by private enterprise in the technological development and economic utilization of the fisheries resources." Mr. Ray saw nothing wrong with (5); however, thought (6) should be deleted, "[IMPROVE THE ROLE OF THE STATE AS A LEADER IN THE MARINE SCIENCES AND THE DEVELOPMENT OF THE FISHERIES RESOURCES;]". He didn't feel that it really said anything.

Mr. Ray suggested amending (1) as follows: Delete "[PRESENT AND LONG-RANGE RESEARCH]" so that it reads: "Develop and continually maintain a comprehensive, coordinated state plan for orderly rehabilitation and development of all aspects of the state's fisheries for the perpetual use, benefit and enjoyment of all citizens."

He moved and asked unanimous consent that numbers (2) and (3) be deleted. No objection, so ordered. He felt number (4) was all right and the committee agreed.

Mr. Borer said in regard to number (5) he would rather have them encourage the "research" rather than "investment" by private industry through grants and cooperation.

Mr. Sackett suggested deleting the words, "[ECONOMIC UTILIZATION]" in number (5) and inserting "research."

Mr. Croft questioned the fact that there was nothing that

said they have the right to make capital improvements, and used Bear Lake in Seward as an example, where they cleaned out the lake so salmon could get up it. He wondered if one of the purposes of this is to have some kind of a capital improvement program like the one in Seward.

Mr. Borer didn't think so.

Mr. Croft then asked if this was just going to develop a program, and not do any of the work or making any improvements, or in other words, a \$1 million study.

Mr. Ray said no, the way he interprets it is they have to present their program to the Governor before they can spend any money.

Mr. Croft asked if under (1) they have authority to enter into construction. Mr. Ray felt they would, after the program was approved.

Mr. Haugen commented that the Fisheries Research Institute [FRI] is a \$1 million program or more, and is independent of the Department of Fish and Game and the Bureau of Commercial Fisheries. The reason is because they can't reach a mutual understanding on what should be done. The Fisheries Research Institute, he said, has done all the research in the Pacific to predict runs.

At this point, however, final action on HOUSE BILL NO. 828 was delayed until review of the bill with the proposed changes.

HB 840

HOUSE BILL NO. 840 (appropriating to the Department of Public Works - \$33,051,750) was brought before the committee for discussion. Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 840 be reported out with a "do pass" recommendation.

HCR 62

Mr. Borer objected, and wondered why, if the money is approved for these projects under the Alaska State Housing Authority, this bill should be reported out.

Mr. Ray referred to the proposed resolution also before the committee -- HOUSE CONCURRENT RESOLUTION NO. 62 (relating to the construction of needed capital improvement projects for the state) -- and read the resolution to the committee. The projects in this resolution correspond with HOUSE BILL NO. 840. In the event the Alaska State Housing Authority does not sell its bonds by July 1, 1970 for the construction of these projects, then HOUSE BILL NO. 840 gives authority for this money to be appropriated from the general fund.

Mr. Ray said this is for capital improvement projects needed immediately for specific areas, and quoted the projects from the bill.

Mr. Borer asked if they can reasonably have a bond sale by July 1, and Mr. Ray replied that he could see no reason why they couldn't.

Mr. Borer suggested changing it to August 1, and Mr. Ray agreed.

HB 840 Mr. Ray asked how many were in favor of reporting HOUSE BILL NO. 840 out with a "do pass" recommendation, and on vote by the committee HOUSE BILL NO. 840 was reported with a unanimous "do pass."

Mr. Borer wanted to be sure there would be no amendments to this on the floor, and Mr. Ray assured him there would be none.

HCR 62 Mr. Ray then moved that the Finance Committee sponsor HOUSE CONCURRENT RESOLUTION NO. 62, and that it be reported out with a "do pass" recommendation. On vote by the committee HOUSE CONCURRENT RESOLUTION NO. was reported out with a unanimous "do pass" recommendation.

SB 561 SENATE BILL NO. 561 (appropriating \$175,000 to the Legislative Affairs Agency) was brought before the committee.

Mr. Ray moved and asked unanimous consent that SENATE BILL NO. 561 be reported out with a "do pass" recommendation. No objection, so ordered.

Recess: Meeting recessed 10:25 a.m.

After Recess
2:10 p.m.

Present: Messrs. Haugen, Borer and Hohman.

In the absence of the chairman, Mr. Ray, Mr. Haugen,
the acting chairman, called the meeting to order.

For the lack of a quorum, Mr. Haugen told the committee
that the meeting was adjourned until 1:30 p.m., Monday,
April 20, 1970.

HOUSE FINANCE COMMITTEE
April 21, 1970
9:05 a.m.

Present: All members of the committee were present with the exception of Messrs. Hohman and Sackett. Also present was Mr. Don Wright of Wright Truck and Tractor Service, Inc.

SB 127 Mr. Ray called the meeting to order and introduced Mr. Wright to the committee. Mr. Wright came before the committee to testify on SENATE BILL NO. 127 (appropriating \$39,554.88 plus interest to Wright Truck and Tractor Service, Inc.).

This amount plus interest on this amount at the legal rate from January 21, 1965 until the amount is paid, is appropriated from the general fund to Wright Truck and Tractor Service, Inc.; all of this being the amount of interest on a judgment against the state that the beneficiary would receive under the present AS 09.50.280, but which was not allowed to it on a successful claim against the state under the prior wording of the statute. Mr. Wright said that Wright Truck and Tractor Service, Inc. entered into a contract with the State of Alaska in 1959 for the first highway project under state government, and took the design criteria from the Bureau of Public Roads when advertised for bids for the project out of

Soldotna. The plans developed a one-million cubic yard error. He brought it to the attention of the Commissioner of Public Works; they sat down and negotiated a 105% change. Under federal matching funds act the Bureau of Public Roads didn't go along with that because the federal government puts up 95% of the money. The state had no alternative but to back out on the commitment and require the corporation to sue the state.

They filed suit against the state for \$1 million, which took several years to process. They were bonded to complete the job and the state tied up their money. In the process, the corporation went broke. They won the case, filed for interest on what was tied up, and the Superior Court denied the interest on the grounds that the State of Alaska didn't have the proper wording in the statutes to authorize payment of interest.

They appealed to the Supreme Court -- the Supreme Court decided in favor of the Superior Court's action on the grounds that it was not in the statutes. The court recommended to the Legislative Council that they enact legislation because it was not fair. In 1965 legislation did pass, and now his corporation would like to be able to collect this interest.

The status of the corporation is that although they could have, they refused to take bankruptcy. There are several against the corporation, and they feel it is fair and equitable and that it would be best to consider passing this bill in the same form that it came out of the Senate, which passed the bill unanimously. Mr. Borer asked how much the judgments against them at this point in time amount to, and Mr. Wright replied in excess of \$65,000.

Mr. Bradner asked how much the bill is for, and Mr. Borer replied \$39,554.88 plus interest at 6% from January 21, 1965. Mr. Croft asked when they completed their contract with the state, and Mr. Wright replied in 1962; however, they were paid in 1965 as it took that long to get it through the courts.

Mr. Ray said he remembered when this happened, but didn't understand why they were told to go through the courts.

Mr. Wright said that the state negotiated with this, but the Bureau of Public Roads refused to negotiate without court proceedings.

Mr. Croft asked what period this \$39,554.88 in interest covered, and Mr. Ray said from January 21, 1965 until the amount is paid. Mr. Wright said it had accrued

from the time they owed money until the legislature passed the act in 1965. They are asking interest on the amount received at that time.

Mr. Ray thanked Mr. Wright for his testimony.

As this bill was assigned to Mr. Borer for subcommittee work, Mr. Ray asked Mr. Borer what he wanted to do about it, and commented that he felt this was a just claim.

Mr. Borer suggested sending it out without recommendation and so moved. On vote by the committee, SENATE BILL NO. 127 was reported out without recommendation, all members present concurring in the majority report.

HCR 64 HOUSE CONCURRENT RESOLUTION NO. 64 was prepared by the Finance Committee (relating to the inequitable allocation of the Alaska Business License Tax refund to the City of Kenai). The inequitable allocation of the tax refund for the period from 1966 to 1969 has cost the City of Kenai \$53,171 in lost revenues.

Mr. Ray quoted the last paragraph of the resolution to the committee, which says, "BE IT RESOLVED that the Governor is respectfully requested to direct the Department of Revenue to conduct an audit for the years 1966 - 1969 and reallocate tax funds which should have been received by the City of Kenai." This, Mr. Ray said, leaves the responsibility up to the Department of Revenue instead of the legislature.

Mr. Ray moved and asked unanimous consent that HOUSE CONCURRENT RESOLUTION NO. 64 be reported out with a "do pass" recommendation. On vote by the committee, this resolution was reported out with a unanimous "do pass" recommendation.

HB 814 HOUSE BILL NO. 84 (relating to a program of state aid for municipal purposes) was again brought before the committee. The Committee Report recommending it be replaced with a committee substitute and that the COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 814 was signed by the committee members on April 17, 1970, all members concurring in the majority report. However, after the meeting several members again reviewed the COMMITTEE SUBSTITUTE and found fault with it; therefore, COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 814 was held in committee for further review. Commissioner Downes furnished the Chairmen of both the House and Senate Finance Committees a memo dated April 20, 1970, on municipal revenue sharing, and Mr. Borer quoted from this memo:

"At the present time this law provides under (f) of AS 43.78.010 that: 'Funds received by a city, borough or service area under this section may be expended for and public purpose for which it has power to expend public funds'."

Mr. Borer added that they recommended adding new language,

"Funds received by a city, borough or service area under this section may be expended for any public purpose for which it has power to expend public funds but limited to the municipal services provided for under this chapter."

[Copy of this memo may be found in the House Bill No. 814 file.]

Mr. Ray said that the committee is not interested in that as it was not the intention of the original bill. Mr. Ray referred to (a)(1)(C) under Section 1, of the COMMITTEE SUBSTITUTE, "police protection shall provide for the prevention and detection of crime and the enforcement of the laws of the state and the ordinances of the municipality," which he said is common language and he didn't see how they could get trapped with it. Mr. Bradner said it is reopening the possibilities for the Commissioner to draw regulations, and that he didn't remember talking about the language in this section (C) at all.

Mr. Ray asked if he would like to delete this section (C) and leave in (A) and (B). He then moved and asked unanimous consent that section (C) under (a)(1) of Section 1 be deleted. No objection, so ordered.

SB 466 am Mr. Ray asked Mr. Borer to report on SENATE BILL NO. 466 amended (general obligation bonds in the amount of \$29,200,000

for capital improvements to highways and roads in the state).

Mr. Borer moved and asked unanimous consent that a committee substitute for the original bill be reported out. The original bill provided for general obligation bonds in the amount of \$25,200,000, of which \$2,000,000 provides for the Local Service Road Program.

Mr. Bob Mottram from the Associated Press arrived.

As amended [\$29,200,000] SENATE BILL NO. 466 am provides \$6,000,000 for the Local Service Road Program, an additional \$4,000,000.

This Local Service Road Program will provide a State financed highway program for local government as well as major highway extensions throughout the state.

In answer to Mr. Croft's question, \$23,200,000 is to finance the State's share of the Federal-Aid Highway Program through the 1973 apportionment. Passage of this bill will allow the state to match \$121,170,166 of federal funds for a total program of \$144,422,300.

Mr. Croft asked if the \$2,000,000 requested for the Local Service Road Program in the original SENATE BILL NO. 466 and the \$6,000,000 requested for this program in the amended bill is to be matched with federal funds.

Mr. Borer replied no.

SB 464

Mr. Borer referred to SENATE BILL NO. 464 (relating to local service roads which serve a local government of the state). He said this funds the total program through 1973. If they wanted to go the general fund approach, he said, they wouldn't have to appropriate \$23,200,000 this year. It would be something like \$10,000,000 this year.

Mr. Ray quoted Sec. 19.30.130 in SENATE BILL NO. 464,

"STATE AID TO LOCAL GOVERNMENTS. During each fiscal year the commissioner shall apportion sums appropriated for expenditure upon local service roads for that fiscal year among the several highway districts in the following manner: One-half in the ratio which the area of each highway district bears to the total area of the state; and one-half in the ratio which the population of each highway district bears to the total population of the state as shown by the latest available federal census. The funds so apportioned may be obligated to any local government therein applying for and qualifying for same. The commissioner shall obligate apportioned funds among the applicant and qualifying local governments under the provision of this chapter, with due regard for reserving funds for project cost overruns."

In other words, he said, \$5,000,000 for Anchorage and the rest for the rest of the state.

Mr. Borer said another problem is if they go on an appropriation method they have no planning money to go ahead with for the series of monies involved. This year, he said, all they would have to appropriate for 1971 would be \$1,136,220 then these projects move back

and forward -- may get more money in a given year. If they don't have bond money to move the project ahead, they are stymied. Mr. Croft said that everyone says there will be a tremendous increase in construction costs, and it seems to be a better way of planning if they appropriate each year.

SB 466 am Referring back to SENATE BILL NO. 466, on vote by the committee, there were only three members in favor of a COMMITTEE SUBSTITUTE returning to the original SENATE BILL NO. 466 [\$25,200,000]. Mr. Ray asked that the record reflect that Messrs. Croft and Bradner have no recommendation. For lack of four votes, SENATE BILL NO. 466 am was returned to file.

SB 441 Mr. Ray asked Mr. Croft to report on SENATE BILL NO. 441 (general obligation bonds in the amount of \$8,000,000 for capital improvements for water supply and sewerage systems). Mr. Ray noted that the bill calls for \$8,000,000 for general obligation bonds, and the fiscal note furnished by the Division of Environmental Health says \$11,000,000. Mr. Croft assumed that is something the subcommittee should look into before reporting it back to the full committee. Mr. Ray requested Mr. Croft to report on this bill in the afternoon meeting.

HB 828 Mr. Ray brought HOUSE BILL NO. 828 (creating a long range fisheries research and development program for the state) before the committee.

He said the committee would delete the entire Section 1, "DECLARATION OF PURPOSE," and specified the following changes be made:

Line 28 on page 1, under ARTICLE 2, DIVISION OF FISHERIES: Eliminate the words "present and long-range".

Mr. Borer suggested the following wording starting with line 27 on page 1: "develop [AND CONTINUALLY MAINTAIN] a comprehensive [COORDINATED STATE] plan for [ORDERLY PRESENT AND LONG-RANGE] research, rehabilitation and development of all aspects of the state's fisheries for the perpetual use, benefit and enjoyment of all citizens".

The change agreed upon, however, was:

"develop a comprehensive plan for orderly research, rehabilitation and development of the state's fisheries." Number (2) and (3) would be deleted entirely, Mr. Ray said, and number (5) [becoming number (3) in the amended version] would read: "encourage the research [INVESTMENT] by private enterprise in the technological development [AND ECONOMIC UTILIZATION] of the fisheries resources".

ARTICLE 3, FISHERIES RESEARCH AND DEVELOPMENT WORKING FUND, is amended as follows: "(a) There is created within the Department of Fish and Game a fund, designated as the fisheries research and development working fund. The fund shall be composed of money appropriated to it by the legislature. The money in the fund shall be used to carry out the purposes of sec. 60 of this chapter. (b) The department shall submit a plan for the expenditures from this fund to the governor. No expenditures may be made from the fund without the approval of the governor." Mr. Ray moved and asked unanimous consent that Finance COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 828 be reported out with a "do pass" recommendation. No objection, so ordered.

HB 829 HOUSE BILL NO. 829 (appropriating to the fisheries research and development working fund the sum of \$1,000,000) was then brought before the committee.

Mr. Croft asked if they don't have to have an authorization each year to spend that money. Mr. Borer said they need \$1,000,000 to set up a comprehensive plan.

Mr. Croft said that the department says it is going to take \$2 - \$3 million to make the study to determine whether they want to do it. It's a pretty big program.

Mr. Ray felt they will take the \$1,000,000 to do the study and then come back next year for more money.

Mr. Haugen said he had a little experience on the Fish and Game budget and he knows how hard it is to justify anything they do.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 829 be reported out with a "do pass" recommendation. No objection, so ordered.

Mr. Ray directed Mr. Dean to hold HOUSE BILL NO. 829 in committee until HOUSE BILL NO. 828 is retyped as amended, and send them out together.

HB 830 Mr. Ray brought up HOUSE BILL NO. 830 (concerning grants and loans for water supply and sewerage systems) and referred to page 17 on the House Monetary Committee Meeting minutes to find out what they propose. Apparently they didn't consider anything here, he said, just talked about it. They still don't have information on it, and will have to wait until it comes.

Mr. Borer suggested Mr. Dean pick that information up, and the Chairman requested Mr. Dean to do so.

With reference to the water and sewer program, Mr. Borer said, a provision in the bill will make it retroactive to July 1, 1967 [according to the minutes of the House

Monetary Committee Meeting]. So, anyone who started a program from that point on gets money from the federal government.

HB 348 Mr. Ray referred to HOUSE BILL NO. 348 (an act relating to transportation allowance of legislators).

Mr. Dean said that the airlines company said they would go ahead and honor it by the pound for legislators. The way they have it set up is an allowance of two pieces of baggage plus carry-on, and excess is charged for any additional.

Mr. Ray requested Mr. Dean to get in touch with Bob Thomas, Director of Administrative Services, Department of Education, and have him come over.

SB 432 SENATE BILL NO. 432 (general obligation bonds in the amount of \$2,300,000 for capital improvements to state recreational facilities) was brought before the committee.

Mr. Mottram and Mr. Bradner left the meeting.

Mr. Ray quoted the letter dated April 20, 1970 from Dale Wallington, Deputy Commissioner of the Department of Natural Resources,

"Senate Bill 432...is absolutely essential if the Parks and Recreation program is to continue to expand in order to meet the growing demand. All funds from the 1966 general obligation bond monies has been obligated to present projects. The Alaska State Park Systems program

from 1970 through 1976 has 38 projects which will have to be funded through this bill. The projects, as now planned of course, do not include any of the recreation areas created by the Legislature during this session."

Mr. Ray moved and asked unanimous consent that SENATE BILL NO. 432 be reported out with a "do pass" recommendation. No objection, so ordered.

Mr. Ray directed Mr. Dean to call Mr. Wallington for a list of the 38 projects right away, and requested that when the list comes in that he receive a copy as he has to carry the bill on the floor.

After a short recess, Mr. Thomas arrived.

HB 819 HOUSE BILL NO. 819 (establishing a program of state aid for school construction within borough and city school districts) was then brought up.

Mr. Bradner had returned.

Mr. Thomas asked if the committee had received a copy of his letter of April 16, 1970 to Gene Guess, Chairman of the Special Committee on Monetary Investment, and Mr. Ray replied yes. [A copy may be found on pages of the minutes.] Mr. Thomas said that as pointed out in his letter, he saw flaws in the bill which would make it difficult to apply, and he is not sure it does what they want it to do. He said this bill is very similar to the one that has the footage scales of 100 for secondary

schools and 100 for elementary schools. They have worked up figures on this which should go with SENATE BILL NO. 236 (an act providing for partial assumption by the state of local property taxes levied for school purposes) which is approaching the same problem.

Mr. Thomas said he didn't bring the other bill over that he referred to; he didn't realize it was tied in this way. The formula that sets it up for pupil basis is better, he said.

Mr. Ray asked who gets the "lions share" of this, and Mr. Thomas replied Anchorage. The estimated total, he said is \$55 million, and Anchorage will get \$31 million. This is made up with respect to the Senate Bill, which used the formula. The problem he sees in HOUSE BILL NO. 819 are the scales -- he said frankly he doesn't know what they mean.

Mr. Ray said they are trying to find money to build the Floyd Dryden Junior High School in the Juneau area, and thought this bill was a vehicle -- apparently he said, they would not qualify under this bill.

Mr. Thomas said not under this one, but the one bonded indebtedness bill.

Mr. Ray thanked Bob Thomas for coming before the committee.

HB 823 Mr. Ray brought up HOUSE BILL NO. 823 (creating a Department of Treasury and defining its powers and duties), and asked Mr. Borer if he had any information on this, and if the Governor has a bill on it. Mr. Borer said the Governor does have a bill on it, but it isn't in this committee yet; it is still in the Senate because the Senate says they don't want a Department of Treasury. Mr. Borer said one of the basic changes the committee was unanimous on was that they did not want any members of the legislature on the Bond Investment Committee. It is an executive function, he said, and if they start putting legislators on the committee they would likely be the Secretary and the President. Mr. Ray agreed this would not be good, and Mr. Bradner added that if the Speaker and the President and the Finance Committee Chairmen were appointed to the committee any legislator that wanted to criticize would be criticizing their own leaders, which would muddy up the checks and balances. Mr. Ray asked what the cost of this would be, and Mr. Borer replied about \$2 million a year, or at least \$1.5 million.

Mr. Croft said in the Governor's bill they have \$900,000 for a consultant, and asked if they are still going to have this. Mr. Borer said it depends on how it is approached.

Mr. Ray said he doesn't like the idea of having a bond committee. Mr. Bradner agreed, and thought what they are talking about in the Senate is going the same direction or worse.

Mr. Ray said he would like one person handling this who would be an expert. He felt they don't need the Commissioners of Revenue, Commerce or Administration sitting on the committee.

Mr. Borer said that is why they need a consultant.

Mr. Croft felt, however, that if the Commissioner of Revenue is not competent to handle the investment of money he should not be put on the bond committee.

Mr. Ray said that is why he would like one person, a treasurer, who handles the program. He quoted from Sec. 6 of the bill, "...if a member of the committee is absent or otherwise unable to act, his designee in the department shall act as a member of the committee in his place." He objected to this.

Mr. Bradner said the only benefit he could see is that one man probably runs the show anyway, which is the treasurer. Mr. Ray said he would like to delete Sec. 6

entirely.

Mr. Borer said that section creates the bond committee and doesn't really have anything to do with the Department of the Treasury per se, except that it puts the treasurer on the bond committee.

Mr. Ray referred to Sec. 37.15.140 of the Statutes.

Mr. Borer suggested getting rid of the bond committee as far as investments go.

Mr. Bradner said they would need a repealer in there.

Mr. Borer said those repealers, as the staff assured them, are where the functions that will be taken over by the treasurer will go into the Department of Revenue. He added that he thought the bond committee probably serves a useful function as far as the selling of bonds is concerned, but he was not sure the treasurer could handle both functions as they are diametrically opposed. One function is selling the bonds and the other is investing the surplus funds.

Mr. Ray quoted from Sec. 37.16.160 of the Statutes, and said they set up bond sales for the state and don't do anything else. They could have a treasurer be a member of that, and asked the committee if they feel there should be a treasurer.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 823 be reported out with a "do pass" recommendation. No objection, so ordered.

HB 831 HOUSE BILL NO. 831 (relating to veteran affairs) was brought before the committee.

Mr. Ray said this bill would raise the ceiling on farm and home loans [Section 1 (2)] from \$25,000 to \$37,500.

He did not believe in the new paragraph under Sec. 3:

"(4) Multiple dwelling loans may be made to purchase, remodel, repair, build, furnish, refinance or equip multiple dwellings, not exceeding \$55,000. The loans shall be secured by acceptable collateral and may not exceed 75 per cent of the appraised value of the collateral offered as security. The rate of interest may not exceed eight per cent a year on the unpaid balance." He felt this is asking them to go into housing business, and he didn't believe in that.

Mr. Bradner referred to refinancing and equipping multiple dwellings as provided in Sec. 3 (4), and commented that they would be going into business to make a profit.

With reference to Section 1 (3), raising the ceiling on business loans from \$25,000 to \$50,000, Mr. Ray felt that the Veterans Affairs primary responsibility is to provide a decent housing program, and that should be sufficient. He did not believe this should be raised to \$50,000.

Mr. Borer said the point is that in this day and age it is almost impossible to build any kind of house for @5,000.

Mr. Ray was specifically talking about business loans, and wondered why they should advance \$50,000 to go into

business, and multiple dwellings would also be considered a business.

Mr. Borer said that the idea is that housing is in such a desperate state now, and this would encourage more and better housing -- he said they owe it to the veterans.

Mr. Croft asked what the interest rate is on veterans loans now, and Mr. Borer replied 7% -- they have a maximum rate they can charge, and don't have anyone exceeding 7-1/2%.

Mr. Ray also noted that under Sec. 5 (B) it provides that unless a resident of the territory before their entry into the service, and have lived in the territory or state for at least eight [10] years following their release from active military service, would not be eligible. With reference to Sec. 26.15.165, Educational Assistance for Veterans of Korea and Viet Nam, Mr. Borer said that with the monies available from the teachers' retirement about another \$1.5 million is all they can use.

Mr. Bradner said that up to this time he has agreed that these retirement funds should be invested in housing funds and some within the state. He thought they would have to go back in now that there is an excess of state revenues and assess whether they should require teachers' retirement funds, etc., to be invested in these particular loans. He added that he thought it will be open for review in the next few years.

With this bill, Mr. Ray said, a veteran can get a \$55,000 loan and go into business.

Mr. Bradner asked if he can get both kinds of loans, and Mr. Croft answered yes, but the total loans cannot exceed \$55,000.

Mr. Borer commented that \$50,000 would take care of 90% of the veterans who want to go fishing. They could pick up a seiner with this amount of money; all they could do with \$25,000 is maybe start up a landro-mat. Mr. Ray asked what the committee's feelings were on this bill. Mr. Croft said he was in favor of going from \$25,000 to \$37,500 for farm and home loans.

Mr. Ray said he believed in the educational assistance. Mr. Borer suggested making the limit on the loans \$37,500 straight across the board.

So, on line 13, page 1, Mr. Ray said, they are all in agreement on the figure of \$37,500.

On line 22, page 1, they all agreed on \$37,500.

On line 1, page 2, they did not all agree on \$37,500.

Mr. Borer said there was no real point in having it in there and suggested deleting the whole section. It was agreed then that Sec. 3 would be deleted entirely.

On line 8, page 2, it was agreed to leave the new wording "at a comparable rate of interest" in.

On line 15, page 2, Mr. Ray suggested leaving it at 10 years, and Mr. Borer asked why not make it five.

It was agreed it would be left at 10 years.

With reference to the last section, which is new, regarding educational assistance for veterans of Korea and Viet Nam, Mr. Borer questioned that if the federal government is paying people for the GI Bill of Rights for Korea and Viet Nam why the state should double up on payments the federal government is making.

Mr. Ray then referred to Sec. 6.

Mr. Borer said that in effect the state would making a double subsidy.

Mr. Ray asked what payments are available to veterans, and Mr. Borer said they would have to call the Veterans Administration and find out.

Mr. Ray said that if anyone gets paid to go to school when they get out of the service, they don't get money for a home or a business. Under existing laws, he said, if they get a "bonus", they have to pay it back before they can get a loan. On the other hand, if they get a loan they cannot get a "bonus" until they pay back the loan. In order to be consistent, he said, there should be some provision in the same way in this bill. Mr. Croft suggested checking this out with the Veterans Administration.

Mr. Ray said he wouldn't be in favor of paying them double. If they aren't getting anything from the federal government, then he would be in favor of paying what anyone else is

getting under the federal government.

Mr. Ray then asked Mr. Dean to check this out for the committee.

HB 828 Mr. Ray passed out copies of the newly retyped COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 828 (creating a long-range fisheries research and development program for the state). The only correction Mr. Ray indicated was a ";" at the end of line 16, rather than a ".".

Mr. Croft referred to number (3), and asked why they should encourage the research by private enterprise -- why only private enterprise. Mr. Ray replied specifically to see if they can't get grants.

Mr. Haugen added that the industry puts up over a million dollars a year for research programs.

SB 364 Mr. Ray assigned SENATE BILL NO. 364 (establishing a Violent Crimes Compensation Board) to Mr. Borer.

HB 660 Mr. Ray brought HOUSE BILL NO. 660 (creating the Alaska higher education aid program) before the committee, and asked Mr. Bradner to report on this bill.

Mr. Bradner said this bill creates a scholarship program to be used inside and outside the state to finance degrees beyond the undergraduate degree. Most of the students in Alaska immediately face extremely high out-of-state tuition. This bill also recognizes the fact that if these people are to come back to Alaska, the state is probably better off financing their education,

sending them out of state, and getting them back. This is on a loan basis except if they return and spend several years in the state, then they are granted a forgiveness. There is also a differentiation in interest rates. Interest on a loan given under this chapter shall be at the rate of four per cent while the person receiving the loan is a resident of the state, and at the rate of eight per cent while he is no longer a resident of the state.

Mr. Ray referred to page 2, line 11, and thought this would have to be reworked a little as the way it is written anyone that comes up in the military can apply for it.

Mr. Croft thought it should specify anyone in the military who is a resident of the state.

Mr. Ray suggested saying anyone who is "domiciled" in the state; however, Mr. Bradner felt there would be argument on what "domiciled" means.

Mr. Ray said it would have to be anyone whose legal residence is Juneau, Alaska. He said that while he was in the service his legal residence was Alaska. He maintained that the way the bill is written, if a person from some other state comes up to Alaska in the military he would be eligible.

Mr. Bradner said he didn't think there would be many military who would qualify under this. Mr. Ray replied

that Alaska Legal Services would drum up some business for them.

Mr. Ray noted that (d) provides that a person whose application is not recommended to the committee by the body described in (a) of this section may appeal to the selection committee through the commissioner of education, and the committee shall consider the application.

Mr. Bradner said that people complain because "outsiders" come in and try to run things up here. For that reason, he said, they have taken it out of the hands of the universities and put it in the hands of a special committee. He asked what is cheaper -- a law school here or sending someone to a law school somewhere else in the country. Mr. Dean pointed out to the committee that (b) under Sec. 14.42.040, Grants and Loans, says a portion of the loan shall be considered a grant if, within a reasonable period after the advanced degree is received, the grantee spends at least two years employed in the state. Mr. Bradner said this is to gain his forgiveness. If he doesn't return to the state he pays 6% and doesn't receive any forgiveness.

Mr. Ray suggested outlining professions such as medical or legal.

Mr. Bradner said that is the reason the jurisdiction is left with the committee.

In answer to Mr. Ray's question, Mr. Bradner said the

funding for the original bill would be \$250,000.

Mr. Ray asked if Mr. Bradner would like to make a motion on this bill.

Mr. Bradner commented that he is very serious about this bill because if someone doesn't want to take this approach, he doesn't want to hear them complaining that "outside" professionals don't want to come to Alaska.

He moved and asked unanimous consent that HOUSE BILL NO. 660 be reported out with individual recommendations. On vote by the committee, there were two "do pass" recommendations: Messrs. Bradner and Croft. Mr. Ray voted "do not pass unless amended" as he felt the bill was too lose.

Mr. Bradner said it it the tightest scholarship act they could put up.

Mr. Borer also voted "do not pass unless amended."

Mr. Ray said that HOUSE BILL NO. 660 would be held in committee until Messrs. Sackett and Hohman could vote on the bill.

HB 815
[& SB 440]

HOUSE BILL NO. 815 (authorizing state loans for hospitals and related health facilities) was brought before the committee.

Mr. Ray said that the Governor's bill is SENATE BILL NO. 440 (GO bonds in the amount of \$5,600,000 for capital improvements to mental health facilities, health and child care centers, and to provide state matching funds

for federal funds available under the Hill-Burton hospital construction program).

Mr. Borer said that the Governor's bill provides state matching for federal funds under the Hill-Burton Act, and HOUSE BILL NO. 815 provides for loans for hospitals and related health facilities for the communities share. He said that they might as well consider this a grant because it isn't going to be paid back.

Mr. Ray referred to the fiscal note provided for SENATE BILL NO. 440, their request for mental retardation facilities, location to be determined. He said he would not go for that.

Mr. Borer said that HOUSE BILL NO. 815 would authorize the state to loan the Sisters of Providence the portion that they can't borrow anywhere else.

Mr. Ray noted that the bill says loans shall bear an interest rate of five per cent. Mr. Borer again stated that this money is not going to be paid back.

Mr. Ray said then that they would not put it out.

Mr. Borer commented that Anchorage does need \$6 - \$8 million right now, that the state puts up money and Hill-Burton loans them money. This is to fund the portion they don't get.

Recess: Meeting recessed 11:20 a.m.

HOUSE FINANCE COMMITTEE
Wednesday, April 22, 1970
9:00 a.m.

Present: All members with the exception of Mr. Sackett.

SB 442 SENATE BILL NO. 442 (GO Bonds- capital improvements to State Correctional buildings) was brought up for consideration by the committee. Mr. Hohman said that this bill is for General Obligation bonds in the amount of \$8,609,600 for five projects. The first three projects are to implement phases one, two and three of the McLaughlin Youth Center. This is to provide a central core unit with an attached administration complex, a vocational and academic shop complex, four residential cottage units and a gymnasium and recreation unit. Phase I costs \$502,500; Phase II is \$417,700 and Phase III is \$963,400, for a total of \$1,883,600. This is all according to a master plan developed for that complex. The other two projects are \$5,216,000 for a South Central Regional Institute (jail) in Anchorage and a \$1,510,000 Correctional Institute in Fairbanks.

Mr. Hohman moved and asked unanimous consent that SB 442 be passed out of committee with individual recommendations. No objection, and so SB 442 was passed out of committee with a majority report of "do pass", with Messrs. Ray and Bradner voting "no recommendation."

SB 466am Mr. Borer moved and asked unanimous consent that SENATE BILL NO. 466 am (GO Bonds - capital improvements to roads

and highways) be brought up for consideration by the committee. He then moved and asked unanimous consent that SB 466am be replaced with a committee substitute deleting the Senate amendment and returning the bill to its original form. On vote, the bill was passed out of committee with a majority report of "do pass", with Messrs. Hohman and Croft voting "no recommendation."

SB437. Mr. Haugen moved and asked unanimous consent that SENATE BILL NO. 437 (GO Bonds - Alaska Remote Housing Program) be brought up for consideration by the committee. No objection, so ordered. Mr. Haugen said that this bill is bonding for \$3,000,000 for paying the cost of equipping and constructing housing in the Alaska Remote Housing Program. It carries with it a \$100,000 fiscal note for administrative costs. They have \$1,000,000 for the program this year, he said. Possibly in the future federal support will drop, but if this bond issue passes Mr. Haugen felt that would indicate the state's interest in the program and that the state wants to continue. Mr. Ray said this might be a place to get the Safe Water Act funded, but after brief discussion decided that it couldn't be done. Mr. Haugen moved and asked unanimous consent that SB 437 be passed out of committee with a "do pass" recommendation. No objection, so ordered.

SB 431am Mr. Ray moved and asked unanimous consent that SENATE BILL NO. 431 amended (GO bonds - airports) be brought up for consideration by the committee. No objection, so

ordered. Mr. Ray explained that the Senate amendment increased the figure from \$7,000,000 to \$9,000,000. The original \$7,000,000 was for \$5,000,000 for trunk and secondary airports and \$2,000,000 for bush airports. There was no explanation of where the \$2,000,000 additional would go. Mr. Hohman believed it would go into bush airports. Mr. Ray moved and asked unanimous consent that the bill be lowered back to \$7,000,000. Mr. Hohman objected, since bush airports are direly needed. Mr. Ray said that there is no assurance that this additional money will go into bush airports. Mr. Hohman wanted some time to find out. He moved and asked unanimous consent that the bill be held in abeyance pending further backup. On vote the motion failed. Mr. Ray said this could be gone into in free conference committee. Mr. Bradner said that legislative intent by the free conference committee that this additional money or a certain amount of money be used for bush airports would have much more effect and they would be more assured of money going for bush airports than if this additional \$2,000,000 were appropriated here. Mr. Ray moved and asked unanimous consent that SB 431am be replaced with CSSB 431 (deleting the Senate amendment and returning the bill to its original form) and passed out of committee with individual recommendations. Mr. Hohman objected to passing the bill out with the committee substitute replacing the amended Senate bill. On vote, SB 431 am was replaced with CSSB 431 and passed out of

SB 352

committee with a "do pass" recommendation. Not concurring was Mr. Hohman, who voted "do pass" with Senate amendment". Mr. Ray moved and asked unanimous consent that SENATE BILL NO. 352 (Relating to consumer protection) be brought up for discussion. No objection, so ordered. The committee proceeded to discuss the Judiciary Committee Substitute for Committee Substitute for Senate Bill No. 352, and the page and line references made in the following pages pertain to the House Committee Substitute. Mr. Ray said that he went through this bill, and had some questions which he wanted to go over ^{with the} committee and Mr. Croft, chiefly, as they are legal questions.

The first item he brought up was the language on page 1, line 15, "fraudulently convey or transfer goods or services by representing them to be those of another", and he wondered whether "by representing them to be those of another" was necessary. Mr. Croft said that what they want to do is specify the various types of activities. Mr. Ray then said that in Subsection 2, he felt better language would be "falsely represent or designate the geographic origin of any goods or services;". In subsection 3, before the word "connection" on line 22, Mr. Ray felt the word "status" should be inserted and then part of subsection 4 could be eliminated. Subsection 4 could now read "represent that goods or services have characteristics, ingredients, uses, benefits, or quantities that they do not

have;".

Subsection 7 reads "disparage the goods, services, or business of another by false or misleading representation of fact;". Mr. Ray expressed concern that this could be taken to mean that the kind of advertising some businesses use, e.g. "lowest prices in town" or "we will not be undersold" would be illegal. Mr. Croft said that that would not be disparaging another.

Sub
In/Sec. 11, line 16, page 2, Mr. Ray felt that following the word "buyer", the words "or competitor" should be added. On line 19, Sub-
/sec. 12, Mr. Ray pointed out the phrase "false promise" and felt that this would apply to Sec. 7. Mr. Croft said that historically the courts have made a distinction between advertising for the purpose of getting someone to come into a store and the actual representation at the time of purchase. Mr. Ray referred to (b) which he felt again related to Subsec. 7. In (c), Mr. Ray felt that the words "unfair trade" should be deleted and replaced with "unlawful act and". He felt that "unfair trade practices" would cloud the matter. On line 21 Mr. Ray wanted to include the language "as required by the Administrative Procedures Act" following "The attorney general may". He felt that the common citizen had no recourse under the way that it is written, and he had wondered if this should come under the Administrative Procedures Act. He also wanted the words "and forms necessary for administering" one line 22 deleted. Mr. Croft said that he thinks they are talking about the

4/22

attorney general regulating when he is going to file suit. On page 4, line 1, Mr. Ray recommended adding "a service, goods or" before "property". Mr. Borer felt that "goods" would not be necessary as that would be included in "property" and there was brief discussion on this. Mr. Croft felt that "property" would be a broad enough term. On line 4, then, this same change, adding "service or" before "property" would have to be made, and the same on page 5, line 6.

On page 6, line 9, Mr. Ray didn't like the concept in (a), which reads:

The attorney general may not release information or evidence, obtained by him under the provisions of secs. 471-631 of this chapter, to a district attorney or his investigator or to a law enforcement officer for use in a criminal prosecution. The information or evidence produced by the attorney general under secs. 471-631 of this chapter is not admissible in evidence in a criminal prosecution. The provisions of this subsection do not prevent the attorney general from disclosing to a district attorney or law enforcement officer the fact of the commission of a crime by a person, nor does it prevent a district attorney or his investigator or a law enforcement officer from independently producing or obtaining the same or similar facts, information, or evidence for use in a criminal prosecution.

Mr. Croft said that they are saying it is more important to be able to get the information and be able to get the practice stopped. Having the power to get the injunction is more important. Mr. Ray felt that this is forcing the attorney general to violate the constitution of Alaska. Mr. Croft did not appear to agree. Mr. Ray's recommendation was to remove the "not" from line 10, delete "for

use in a criminal prosecution" from line 13, and to delete "the attorney general from disclosing to a district attorney or law enforcement officer the fact of the commission of a crime by a person, nor does it prevent" from lines 16-19, and deleting "independently" from line 20.

Mr. Van Houte came in.

On page 8, line 3, Mr. Ray recommended deleting "primarily" and adding "business" after "for". Referring to line 9, "to recover actual damages or \$200, whichever is greater." Mr. Ray asked if the intent had been to make this a penalty, which is what has been done. Mr. Croft said yes.

Mr. Ray referred to lines 18 - 21, reading "A person, planning to bring an action under this subsection shall first submit to the attorney general a copy of his proposed complaint, and he may not file the complaint in court without the attorney general's approval." He felt this could make this a political matter. Mr. Croft said that it is fine with him to take this out, and Mr. Ray agreed.

On page 9, Mr. Ray recommended the addition of a section (g) to read "If a civil action is proved invalid the defendant shall be awarded damages from the complainant equivalent to his actual cost of defense and whatever other damages the Court considers necessary and just." He felt this would take care of protecting the businessman from having to constantly be defending himself against various

unfounded claims.

Mr. Croft noted that in (d) lines 2 and three, provision is made for awarding of "reasonable attorney fees and costs." and he felt that if the wording in (g) is going to be actual cost, that this should be "actual" also, and Mr. Ray agreed.

On line 15, following the word "chapter", Mr. Ray suggested adding "Provided, however, if an employer immediately offers to make full restitution in cash, goods, or services commensurate with that expended by the consumer he shall not be liable for a civil action under this chapter if the unlawful act or practice as outlined in sec. 471 was committed by an employee without the employer's knowledge, permission or authorization. A written code of conduct specifying the conditions of Sec. 471 supplied by the employer and signed by his employees shall be prima facie evidence of intent by the employer to comply with the provisions of this chapter.

Recess: Meeting recessed at 10:05.

HOUSE FINANCE COMMITTEE
April 23, 1970
9:15 a.m.

Present: All members except Mr. Bradner,

HB 844 Mr. Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 844 (GO bonds - \$11,100,000, capital improvements to highway maintenance facilities). No objection, so ordered.

Mr. Van Houte entered the meeting.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 844 be passed out of committee with individual recommendations. So HOUSE BILL NO. 844 was passed out of committee with 4 "do pass" recommendations, Mr. Hohman and Mr. Sackett signing "no recommendation" and Mr. Bradner being absent.

Mr. Bob Mottram, Associated Press, entered the meeting.

SB 440 Mr. Sackett moved and asked unanimous consent that the committee consider SENATE BILL NO. 440 (GO bonds \$5,600,000, capital improvements to mental health facilities, health and child care center and hospital construction program). No objection, so ordered.

Mr. Sackett read the following breakdown on the fiscal note:

"1971 Rehabilitation Building API	180,000
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1971 Mental Retardation Facilities (2 at 75,000 each) Location TBD	\$150,000
1972 Mental Retardation Facilities (2 at 75,000 each) Location TBD	150,000
1971 Hill-Burton - Matching Funds	3,000,000
1972 Occupational Therapy Building API	306,000
1972 Maintenance Bldg., Harborview Memorial Hospital - Valdez	100,000
Health Center Nome	520,375
Health Center Tok Junction	90,000
Health Center Sitka	250,000
Health Center Craig	60,000
Health Center Bethel	320,375
1972 Child Care Center Location TBD	422,000
	<u>5,100,000"</u>

Mr. Ray asked about the additional \$500,000. [The bill is for \$5,600,000 and the fiscal note for \$5,100,000.]

Mr. Sackett said there had been some discussion that there may be more cost entailed in Nome.

Mr. Sackett moved and asked unanimous consent that SENATE BILL NO. 440 be passed out of committee with a "do pass" recommendation.

In answer to Mr. Haugen, Mr. Ray said that this is a general bond issue.

In answer to Mr. Croft, Mr. Sackett said that \$3,000,000 of this is for Hill-Burton matching funds.

Mr. Haugen asked why they need a health center at Sitka. Mr. Sackett read the justification for this and also the justification for the health center at Bethel (see fiscal note attachment in bill file for detailed explanation). SENATE BILL NO. 440 was passed out of committee with 6 "do pass" recommendations, Mr. Bradner being absent.

HCSCSSB 352 The committee considered HOUSE COMMITTEE SUBSTITUTE
am H

FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 352 am H.

[This bill had been considered on April 22, see pages 1421-1425]

Mr. Ray suggested deleting the words "did not prepare the advertisement," on line 18, page 3, of the bill.

Mr. Ray felt this should be deleted as the newspaper that is preparing the advertisement is doing so according to the wishes of their customer and should not be held responsible if their customer did not provide them with accurate information. Mr. Borer asked why they were taking a different approach on the newspapers and felt this should be left in. The committee decided not to delete this.

Mr. Ray read the proposed amendments that were attached to the bill and the committee discussed these; however, none of the amendments were acceptable to the committee.

Mr. Ray suggested adding the following:

"provided, however, if an employer immediately offers to make full restitution in cash, goods, or services commensurate with that expended by the consumer he shall not be liable for a civil action under this chapter if the unlawful act or practice as outlined in sec. 471 was committed by an employee without the employer's knowledge, permission or authorization. A written code of conduct specifying the conditions of sect. 471 supplied by the employer and signed by his employees shall be prima facie evidence of intent by the employer to comply with the provisions of this chapter."

Mr. Ray briefly explained why he felt this should be added, but no action was taken by the committee on this.

Mr. Borer said he felt they should take a close look at sec. 45.50.601 "NON-NEGOTIABILITY OF CONSUMER PAPER."

Mr. Borer said this will make a hardship on merchants who have to sell their contracts.

Mr. Dean Erick, Retail Credit Association, had earlier entered the meeting and said that Mr. Borer was right in that this could cause some problems for the smaller merchants. Mr. Erick said if he bought an item from a person and that person sold the paper to the bank and then the item falls apart he could not go to the person and say he would not pay for the item as the

bank would say he had to pay. Mr. Borer said if a person borrows money for a washing machine directly from the bank it would not make any difference if the washing machine was good or not as far as the person's obligation to the bank; but with this section [601] in the bill it does make a difference. Mr. Ray said he was sure the banks could work this out and that the banks could put in the contract that the original buyer will be responsible.

Mr. Croft said this provision is in the Governor's bill (HOUSE BILL NO. 446 - an act relating to the protection of consumers) and that the Attorney General considered it as one of the most significant portions of the entire bill.

The committee briefly discussed this.

Recess: The meeting recessed at 9:55 a.m.

AFTER RECESS

4:30 p.m.

Present: Mr. Dean Erick and Representative Tillion were present.

All members except Mr. Borer and Mr. Croft.

HB 745 Representative Tillion was present to discuss HOUSE BILL NO. 745 (an act appropriating \$78,000 to the Department of Education). Representative Tillion explained this bill is for an environmental education program. He said that the Title III funds for the Kenai Peninsula Borough School District have gone through and that 16 other schools would also like to join. He added they would have to receive the OK from the state by May 4 or it would be too late for them to participate.

In answer to Mr. Hohman, Mr. Tillion explained that the \$78,000 is necessary to bring in the other 16 school districts.

Mr. Ray thanked Mr. Tillion for his appearance and Mr. Tillion left the meeting.

Mr. Croft entered the meeting.

Mr. Ray moved and asked unanimous consent that HOUSE BILL NO. 745 be passed out of committee with individual recommendations. So HOUSE BILL NO. 745 was passed out of committee with 6 "do pass" recommendations, Mr. Borer being absent.

Adjournment: The meeting adjourned at 4:35 p.m.

HOUSE FINANCE COMMITTEE
April 24, 1970
9:10 a.m.

Present: All members of the committee were present. Also present were Vernon L. Snow, Deputy Commissioner of the Department of Revenue; Philip A. Wall, Director of Administrative Services, Department of Revenue; and Dean Eric, Anchorage Credit Association.

HCR 64 Messrs. Snow and Wall appeared before the committee to testify on HOUSE CONCURRENT RESOLUTION NO. 64 (relating to the inequitable allocation of the Alaska Business License Tax refund to the City of Kenai).

Mr. Snow said that he appreciated being allowed to come before the committee, and that he wanted to bring the committee's attention to the impact of this resolution -- what is being asked and what the result will be.

The Department of Revenue's workload in the last ten-year period and the flow of paper work has increased 600%, he said, although the budget has only doubled.

AS 43.70, the Alaska Business License Act, provides they collect under the Act, and they have designed on their return a section of which the business breaks down the source of where the work was performed.

In the department they have allocated that money from those sales to each of the cities or boroughs and distributed the money. Because of this tremendous increase in the number

of firms - 14,000 business licenses issued in the state - and the number of personnel to expedite issuance of shared revenue, they have used a code number, which is a cashier's number, that can be traced. This adds one more step on the audit trail.

Last September, Mr. Snow said, he had a visit from Mr. Jamie Fisher, Kenai Borough Attorney, who said that they were having problems and wondered if they could check some of the returns. The department received the request from the City of Kenai that 216 firms be audited for a four-year period, an audit of 800,000 returns.

One of the problems, he said, is they assume that a person is reporting the proper amount of tax and that his return is right. Their audit investigations are primarily devoted to the matter of obtaining money aspect. If they audited 216 firms for the City of Kenai, they would have Anchorage asking the same thing. Mr. Snow passed out copies of a return which was filed with them, one of the larger firms in the state (although for confidentiality they blocked out the name of the corporation), and noted that there is a tremendous breakdown. The only way they could find out if each town got its share is by auditing the books, and then, he said, they wouldn't know if everything was properly reported.

Mr. Snow then asked Mr. Wall to report.

Mr. Wall said that while in the Seattle area on business in September of last year he went to two or three construction

firms who have done business in the Kenai area. One large firm does business in 17 western states and several foreign countries. He received approval to talk to their accountants. Mr. Wall said he had the report that was filed by the supervisor who worked on the project, which indicated only that work had been done in Alaska, and that he had no knowledge of a more detailed breakdown. The file showed no more details than what was reported except that it was done in the vicinity of a particular town in question. The only way to determine the revenue was to talk to the supervisor of the project, who they indicated was out in the field on a different construction project. As it turned out, however, this supervisor was in town for a meeting, and Mr. Wall was able to talk with him -- he didn't know whether the work had been done inside or outside of the city limits. It was at the airport and no one knew what it was considered. As determined later, however, Mr. Wall said, it should have been in the city.

Mr. Ray said if it is a municipally owned airport they should be able to solve the problem right away. He wondered how it is that a travel agency in Juneau stamps travel tickets payable to an agency in Kenai.

Mr. Wall said they allocate money to where it is reported on the return.

Representative Tillion arrived.

Mr. Ray asked how much money Kenai is asking for, and Mr. Tillion replied \$53,000.

Mr. Snow said this isn't something they can do in the office. If there isn't a breakdown, they try to put an address on it and send out a follow-up. Slowly they get answers and get it resolved down.

Regarding the City of Kenai, he said, there will be various stories, etc., but as he understands it they are overspent. It appears to the department, he said, that the City found they were going to have a "shortfall" and began looking for where it would be, and Mr. Fisher came up with the fact that the Department of Revenue has all the money, Mr. Snow said they do not have the money or the manpower to perform the audits. He said they told Mr. Fisher they would do what they do with other cities, that if the cities wanted to send an auditor down to the department, they would give him a place to work, and if he finds an error, then it can be corrected.

Mr. Snow believed they should do for one what they do for all. He then passed out copies of a fiscal note he prepared to finance audits for all the cities, such as the one for Kenai, which would cost \$177,385. He said that if the resolution passes the committee could consider this as a request for additional funds and personnel to perform the audits.

Mr. Tillion said that he just found out that 60% of the businesses had not filed any credit at all for Kenai even though they had done the job in Kenai. They indicate

Anchorage as the home office and Anchorage gets the check. He said he found things like one \$900,000 job credited to the Anchorage office, and a couple of \$200,000 jobs also credited to the Anchorage office. It's rough, he said, when there is a satellite city along side of a big city. Mr. Ray asked how they can resolve this.

Mr. Snow said one suggestion he would like to make is to get out of the "mickey mouse" business of trying to keep track of where this dollar comes from. He recommended that shared revenue on the basis of "this dollar comes from this town" be eliminated, and some other formula used, whether it be \$5 a head for each person living in the city, or whatever. Then, he said, they could eventually cut out some of the work in the department. He said the Governor recommended a phase out of the business license tax over a four-year period. The House Committee on Local Government held a hearing on this, he said, and everyone was in favor, but the cities came up and said they have to have this amount of dollars. He said it would be much simpler to use some other formula rather than tracing down every dime.

Mr. Tillion reiterated that they had done this, and found that of 200 businesses they have record of doing business in the city of Kenai, 60% did not file any credit for Kenai. Mr. Ray commented that it would be impractical to spend \$177,385, when they could pay off Kenai the \$53,000 that is owed them under this shared revenue.

Mr. Bradner said the state established the system, the municipalities didn't. He said he could see where a municipality would feel the state has some responsibility in auditing and coming up with a just determination.

Mr. Ray said he could understand it too, but he was trying to arrive at a practical solution.

Mr. Bradner felt the error was some years back in not developing a reporting system for determining where the work was done. The state is the agency doing the collection, not the municipality.

In answer to a question by Mr. Croft regarding the fiscal note for \$177,385, Mr. Snow said they have had other cities send a man down to the department to do an audit.

Mr. Borer commented that if they took \$53,000 out of Anchorage and said it should have gone to Kenai, then Anchorage would be down here complaining.

Mr. Bradner said that the smaller communities don't have the staff.

Mr. Ray told Mr. Tillion that if this was the 13th day of the session he could see working out a formula, but at this stage of the game there isn't time. He said if Mr. Tillion wanted to take the time and effort to work up something more realistic, he would certainly be more than happy to introduce it for him.

Mr. Tillion said, if it was cheaper to appropriate \$53,000 to Kenai directly that would suit him fine, otherwise, he

would like to see HOUSE CONCURRENT RESOLUTION NO. 64 go through, and he didn't think every city would be asking for the same thing.

Mr. Ray thanked the gentlemen for coming before the committee, and Messrs. Snow, Wall and Tillion left.

Mr. Bob Mottram of the Associated Press arrived.

HB 793

Mr. Ray brought HOUSE BILL NO. 793 (relating to leases on mineral lands) before the committee, and told Mr. Borer that he has had several inquiries on this bill.

Under the existing statutes, he said, the lessee cannot develop, but still has to pay the lease to the state. He said there wouldn't be any immediate cost to the state, but some time in the future it could cost money.

Mr. Ray asked Mr. Borer to contact the Commissioner of Natural Resources, and report on this bill at the next meeting.

HCSCSSB 352

Mr. Ray brought HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 352 (relating to consumer protection) before the committee for discussion.

The committee discussed changes to the bill. First discussed were the changes in the penalties as proposed in this bill. The general feeling of the committee was that the present penalties were excessive.

Mr. Borer asked what type of act would warrant a penalty up to \$25,000 [(a) of Sec. 45.50.611, page 10 of the bill].

Mr. Croft said it would have to be a flagrant violation;

such as a case where a person has been told by the court that what he is doing is illegal and knowing that, does it again. He felt that possibly the fine was a little excessive as the bill says "per violation," and that it is possible that if a person does this each day it could be considered a new violation each day.

Representative Mildred Banfield arrived.

Mr. Haugen used an example of a store selling prepackaged items, such as hamburger, which gives a weight of 16 ounces and it really weighs only 15 ounces. Say this person gets cited the first time, and then it happens again. Mr. Haugen maintained that in a case like this the store owner may have no control over that and it would be unfair to be cited on that.

With reference to the \$5,000 penalty for an act or practice declared unlawful by sec. 471 of this chapter [(b) page 10 of the bill], Mr. Ray asked what the reason is for the state to recover this penalty. Mr. Croft said the state collects all penalties. This is the section where it allows them to stop the violation, but the person is not convicted of a crime.

Mr. Ray said he thought it should remain at \$5,000.

Mr. Haugen asked if this goes all the way back to the manufacturer, if he is held responsible. Mr. Croft said knowledge and intent covers this, but that the intent has to be shown. If, using a pound of hamburger as an example,

the manufacturer doesn't know that shrinkage to say 15 ounces is taking place, he is not going to be convicted. With reference to (c) of this section, page 10 of the bill, for which a fine of not more than \$10,000, or imprisonment for not more than one year, or both, is imposed on a person who engages in a course of conduct declared unlawful by sec. 471, Mr. Ray felt that he could agree with this amount if this was a violation by a corporation, but for an individual he felt it excessive.

With reference to (a) again, Mr. Ray commented that a person who violates the terms of an injunction or restraining order should pay \$25,000. If he is told by the court not to do it and he does it again, he felt this person should then pay the penalty.

Referring to the fact that under this bill the attorney general acting in the name of the state may petition for the recovery of the penalties, he said that with a murder trail the state doesn't get paid by the defendant for the time and effort spent on the case, and asked why they would here. Mr. Croft said because in this case they are not going to be convicted of a crime under sec. 531.

The committee therefore agreed upon the following changes to HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 352:

Page 1, lines 17 & 18 would read: "(2) falsely represent or designate the geographic origin of any goods or services;"

Page 2, line 16, after word "buyer" add "or competitor".

Page 3, line 7, eliminate the words "unfair trade" and add the words "unlawful acts and".

Mrs. Banfield asked if they have defined what unlawful means, and Mr. Ray said Sec. 471 defines "unlawful".

Page 3, line 18, it was agreed to leave in the words "did not prepare the advertisement".

Mr. Croft asked if there was going to be a new section added after (c), between lines 8 and 9 on page 3, and Mr. Ray said yes, they would add (d), which would read: "When a person is tried under the criminal provisions of this chapter for engaging in an unlawful act or practice under this chapter, it must be shown that he acted knowingly and with intent."

Page 3, line 21, revise Sec. 45.50.491, Regulations, as follows: "The attorney general, in accordance with the Administrative Procedure Act, (AS 44.62) may adopt regulations interpreting and forms necessary for administering the provisions of secs. 471 - 631 of this chapter."

Page 4, line 1, after "advertisement of" add "services, goods or property".

Page 4, line 4, after "advertisement of" add "services, goods or property".

Page 5, line 6, after "advertisement of" add "services, goods or property".

Page 8, lines 3 & 4: Delete the words "primarily for

personal, family or household purposes."

Page 9, add a new sec. (g) between lines 11 & 12:

"If the court finds for the defendant in an action brought under this section, it may award the defendant an amount equal to the actual costs he incurred in his defense."

Page 9, line 15, after "chapter." add "However, if an employee engages in an unlawful act or practice under sec. 471 of this chapter without the knowledge, permission or authorization of his employer and if the employer immediately offers to make full restitution in cash, goods or services equal in value to the amount expended by the consumer, the employer shall not be liable in a civil action under this chapter."

It was further decided that the maximum amounts for penalties [page 10] as discussed earlier, would be left as is.

Recess: Meeting recessed 10:05 a.m.

HOUSE FINANCE COMMITTEE
Saturday, April 25, 1970
9:20 a.m.

Present: All members with the exception of Messrs. Borer, Haugen and Hohman. Also present was Mr. Van Houte.

CSSB352 Mr. Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 352 (Relating to consumer protection) be replaced by 2nd HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 352 and reported out of committee without recommendation. No objection, so ordered.

Mr. Haugen came in at this time.

SB482am SENATE BILL NO. 482 amended (Relating to chattel loans under the Alaska Agricultural Loan Act) was brought up for consideration. Mr. Haugen moved and asked unanimous consent that the bill be replaced by House Committee Substitute for SB 482 am and be reported out of committee with individual recommendations. No objection, so ordered, and so HCSSB 482 was reported out of committee with all members voting "no recommendation."

SB 377am SENATE BILL NO. 377 amended (Act concerning grants and
SB 441 loans for water supply and sewerage systems) and
SENATE BILL NO. 441 (GO bonds - \$8,000,000 for capital improvements for water supply and sewerage systems) were brought up for consideration. Mr. Ray asked the difference between the House Committee Substitute and the original SB 377. Mr. Dean said that it is now

just like the House Monetary bill, HB 830. Mr. Croft said that SB 377 is the authorization and SB 441 is \$8,000,000 for bonding. Mr. Haugen questioned the "Ketchikan" amendment put in by the Senate. Mr. Ray asked why the date on line 15 of the House Committee Substitute had been changed to 1966, and it was stated that this was the date in HB 830, but that it should be 1967. Mr. Croft also noted that on line 14, it should read "Federal Water Quality Control Administration or its predecessor the Water Pollution Control Administration." Mr. Ray said also that Sec. (d) relating to the Public Service Commission should be struck.

It was moved and unanimous consent requested that SB 377am be replaced by House Committee Substitute for SB 377 and that SB 441 and HCSSB 377 be passed out of committee with a "do pass" recommendation. No objection, so ordered.

Mr. Bob Mottram of the Associated Press came in.

HB 838

HOUSE BILL 838 (Relating to acquisition, construction and equipping of a campus activities center at the University of Alaska; creating a campus activities center revenue fund of the university; making provision for the repayment of construction loans) and

HOUSE BILL 839 (Appropriation - \$4,000,000 to University of Alaska as a long term loan) were brought up for discussion.

Mr. Haugen asked if there is a bonding bill on this, and