

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2510

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Alaska Village Electric Cooperative

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HOUSE FINANCE COMMITTEE MEETING
January 14, 1971
9:15 a.m.

Present: Chairman George Hohman and Messrs. Ditman, Warwick, Wright, Fink, Degnan and Haugen. Joe LaRocca, Fairbanks News reporter, was also present.

HB 14 HOUSE BILL NO. 14 (creating a legislative budget and audit committee and providing for the reorganization and establishment of legislative fiscal support services) by Bradner, was brought before the committee. Mr. Hogan, fiscal analyst, was requested by the Chairman to give a section-by-section explanation of the bill for the benefit of the committee members. Mr. Hogan, who had drafted the bill, explained the concept of HB 14 and said the idea was to improve the auditing function and at the same time allow for improvement in the fiscal analysis and budget review functions. He referred the committee to the study he had prepared containing legislative budget procedures in such states as California, Maryland, New Jersey, etc. (See bill file for copy of "Legislative Budget Review - Selected States.") With reference to the auditing function as set out in HB 14, Mr. Hogan explained that in accordance with the constitutional requirement that the Legislative Auditor be a CPA, this bill would also require the position to be full time. As the agency is presently constructed the Legislative Auditor works on contract and a full time state employee supervises and actually runs the operation.

In detailing the functions of the committee, he emphasized that this committee would function on an interim basis in giving direction to the finance staff and would in no way lessen the power of the finance committees during the session. Traditionally, he stated, the committee directs the staff operation during the off-session.

Mr. Haugen asked if this committee would have any power over the Executive Order No. 20 function. Mr. Hogan said it was not spelled out in HOUSE BILL NO. 14; however, he felt it could be done under the Executive Budget Act (Ch. 188, SLA 1970) and he agreed with Mr. Haugen that this has been a constant hassle in the past and perhaps the authority should be more explicitly spelled out in HB 14.

Returning to the subject of the budget analysis function, Mr. Hogan thought that the legislature would receive a great deal more service, because preliminary budget review and analysis had not been done in the past.

Mr. Warwick asked about the Legislative Auditor's duties and Mr. Hogan told him that the auditor works at this time only in a review capacity; he also noted that the work done by the staff of the Legislative Audit will be delivered to the legislature very soon. In response to further questioning by Mr. Warwick, he stated that the powers and duties of the Audit division would be essentially unchanged by HB 14. He did point out the new

provision that requires performance of postaudit which he said was a new concept. In other words, this would be a check on the departments to see if they were following the intent of the legislature. Presently, according to Mr. Haugen, the auditing is done "after the fact." Mr. Haugen was very much in favor of a current audit and expressed his displeasure with reallocation as done by Executive Order No. 20. He felt the legislature should know what is going on at the time, rather than hearing about it later. Mr. Hogan pointed out that this was the reason some legislators were interested in HB 14 because this would tie the audit and finance functions together. One point of criticism was where federal funds come into a department and are allocated by the department through Executive Order No. 20 rather than by appropriation, and Mr. Hogan assured the committee this could be corrected by a change in the appropriation format; he knew of other states that had appropriated federal funds.

Adjourned: Meeting adjourned at 9:50 a.m.

HOUSE FINANCE COMMITTEE
January 18, 1971
2:00 p.m.

Present: All members.

Sub
Committee

Assignments: Mr. Hohman asked the committee about their preference for subcommittee assignments on the budget and the following requests were made:

Mr. Ditman: Fish and Game, Public Works, Office of Governor;

Mr. Wright: Commerce, Natural Resources, U. of Alaska;

Mr. Warwick: U. of Alaska, Natural Resources;

Mr. Degnan: Health & Welfare, Natural Resources;

Mr. Haugen: Fish and Game, Public Works, Highways;

Mr. Fink: U. of Alaska; Court System; Revenue.

Mr. Hohman said several departments may be committee of the whole, e.g., Education.

Bill

Assignments: Mr. Hohman then made the following bill assignments:

HB 62 HOUSE BILL NO. 62 (Appropriating to the Bond Committee)

--Fink

HB 76 HOUSE BILL NO. 76 (Appropriating for Miscellaneous Claims)

-- Wright

The committee had planned on listening to a presentation from Mr. Lloyd Hodson, Manager, Alaska Village Electric Cooperative; however, he did not arrive so Mr. Hohman said they would meet with him, possibly later in the day.

Committee recessed at 9:40 a.m.

HOUSE FINANCE COMMITTEE MEETING
January 18, 1971
10:50 a. m.

Present: All members of the House Finance Committee; Loyd Hodson, Manager, Alaska Village Electric Cooperative; Representatives Jalmar M. Kerttula and William J. Moran.

Alaska Village Electric Cooperative Chairman George Hohman introduced Mr. Loyd Hodson, who apologized for delaying the earlier meeting scheduled. Mr. Hodson distributed the attached reports and summarized the history of the Alaska Village Electric Cooperative as follows:

The program originated in 1967, with most of the funding developed in 1968, to provide electric power to 59 remote villages. OEO offered the initial grant for staff, training and travel, and the Rural Electrification Association provided a loan of \$5.2 million for buildings, generators and other equipment. Construction costs have been running higher than anticipated; engineering design decisions are questionable, resulting in numerous problems with underground installations; and the long-range feasibility study did not take into account many of the costs incurred in Alaska, including a realistic picture of salaries. The last Manager left the Coop at the end of June and the position was open for 2-1/2 months. When Mr. Hodson took the position in mid-September, accounts were due and there were threats of credit removal. Willie Hensley, President of the AVEC Board, and Mr. Hodson went to Washington and met with OEO, BIA, Senators Gravel and Stevens

in an attempt to get additional funding. A report was prepared detailing the history of the program, problems encountered, and the financial forecast, and additional copies could be prepared for the finance committee, if necessary.

A summary of the financial requirements was listed, leaving a balance needed of \$1,040,000. The basic request is to expand the state schools and the BIA schools from a minimum of \$1,200/month to a minimum of \$2,400/month, which would bring in additional revenue of \$248,000 for a total of \$579,000. This is approximately \$400,000 below the amount required, but \$300,000 of this is for one-time items. Mr. Hodson expects the system could be self-sustaining if the \$2,400 minimum were imposed. All projections of expenses are based on the present program with one exception; the amount of income paid to village operators. A salary of \$3,100 annually results in a relatively high turn-over, and when pipeline construction begins there will be a tremendous demand for Alaska labor.

Mr. Fink asked if costs are competitive and Mr. Hodson said they are, although he doesn't have exact figures. Answering further questions from Mr. Fink, Mr. Hodson stated they have received three previous grants from the OEO; no figures available for the first year, second was \$99,000, and the third was \$326,908. Many figures are not available due to the major turn-over in the Coop in June, 1970, and an outside auditing firm prepared the

last financial statement in December, 1969. An adequate staff is needed in order to prepare proper financial forecasts, and possibly the University of Alaska could help with engineering studies. The underground installations have not been successful, mainly because of inadequate research on soil structure, and problems occur due to high surface water tables, permafrost, and drainage patterns.

Equipment was discussed and Allis-Chalmers generators have created a number of maintenance problems, considering they are relatively new. REA had approved the purchase of this equipment before granting the \$5.2 million loan, and the equipment must be properly maintained if it is to be of any use.

The OEO and BIA have not made any commitments and a decision should be announced in the next 30-45 days. An alternate plan is if the BIA or the state would install the generator facilities and turn them over to AVEC at no cost. Mr. Moran asked if there is any surplus power available from the \$300,000 worth of new equipment installed by the state last year and Mr. Hodson said no. Mr. Moran also questioned whether electrical work could not be contracted to ASHA at the time houses were built and Mr. Hodson stated there was much room for improvement in coordinating services supplied by state agencies. Another possibility would be to acquire existing facilities in other rural communities such as Bethel and Tanana.

Meeting adjourned at 12:15 P.M.

To Whom It May Concern:

Alaska Village Electric Cooperative has been established to provide electrical power to the outlying villages of Alaska. The program provides a basis for economic development which will, in turn, reduce welfare requirements and eventually provide a means for tax return to the State and Federal Governments. In addition, the program is vital for the success of many other programs including the Alaska State Housing Authority, Public Health Service and the State and Bureau of Indian Affairs School Programs.

The program, as originally conceived, simply did not take into account the total problems and costs that would be encountered in a project of this type. Among the areas where costs were substantially underestimated were total fuel costs, total maintenance costs, total accounting requirements, educational needs and engineering and construction problems. The Fourth Year OEO Grant request and the AVEC Manager's Report to the Board, at the October 16-17, 1970 Board Meeting fully outline the problems encountered in more detail.

The funds for the operation of AVEC come from three (3) main sources - OEO, revenues from village consumers, and REA provides the loan funds for construction of the plants but no operating funds as such.

As I am sure everyone is familiar, OEO is under severe pressure now due to budget deficits developing at the Federal level. As a result, they will not be able to supply the total amount of funds required to insure the success of the program. At this time we do not know what the total commitment will be from OEO during the coming year. We had requested a total amount of \$1.686 million for a one-year program. Included in this amount were items which might be considered as one-time requirements in the vicinity of some \$300,000. OEO estimates the maximum amount they will provide will fall somewhere between \$500,000 to \$800,000.

Since the time of the grant calculation, certain difficulties have developed in the construction program in several villages which will move their start dates back. Therefore, our costs during the forthcoming calendar year for fuel and certain other expendable items will be somewhat reduced. By the same token, our revenues will not come up to the original projection. We estimate that our revenue input from consumers must be increased by at least \$500,000 a year to run a program with the required level of customer satisfaction. This will provide money and other requirements which are rapidly developing. Even this amount will not allow increase in income to our village operators now receiving a maximum of \$260 per month for single village operation. This relatively low income is a problem in itself in that it results in a higher operator turnover than is desirable.

The financial calculations at this time are difficult because there are many trade-offs, many alternate possibilities, certain limitations in spending of OEO funds in past grants and other items which we can explore in any detail required.

One thing is crystal clear. The revenues to AVEC must be increased or there is going to be severe negative impact on the program causing severe problems for the many agencies depending on this program support. Alaska State Housing Authority is having money pumped in at an extremely rapid rate, while AVEC finds itself with a minimum funding base. We simply must gear this program to be in step with other development programs in the villages. Our operating costs go on 24 hours a day including fuel, lubricating oil, filters and many other expendable items that are being used continuously. We have complex mechanical assemblies operating with relatively inexperienced operators, in many cases, which leads to maintenance problems and extra support.

The village people are not in a position to pay any more for power at present. We earnestly seek your support to increase the minimum billing from State and BIA Schools to a minimum of \$2,000 per month and preferably \$2,400 a month to provide some relief to our present financial need.

SUMMARY

The grant application represents a document summarizing the achievements to date of one of the most worthy projects ever undertaken - a project which has improved the quality of life for thousands of Alaskan villagers. Measurable progress has been achieved in many areas, including

- Community Action Skill Development
- Introducing Technical Skills
- Availability of Basic Electrical Power
- Aiding in Storing Basic Subsistence
- Encouraging Reading and Social Activities During Long, Dark, Cold Winters
- Other Personal Development, Craft and Building Projects with Power Tools
- Increasing Efficiency of Homemaking Tasks
- Better Overall Nutrition and Villager Health Through Use of More Types of Perishable Food Items to Provide Balanced Diets
- Street Lighting to Prevent Winter Darkness Accidents
- Substantial Side Benefits in Accident and Fire Prevention Through Removal of the Hazards of Gasoline and Pressure Appliances
- Another Source of Reliable Heat in Emergencies
- Benefits of Village Pressurized and Sanitary Water Systems
- Airport Lighting for Transportation and Emergency Evacuation
- Early Introduction of Central Waste Disposal Plants

Many problems have accrued which were not detected or properly addressed to by either prior management or the several monitoring activities

- Underestimating Work Load in Accounting and Rapid Deterioration of Fiscal Responsibility

- Rising and Unplanned Costs in the Areas of Personnel, Travel, Fuel Costs and Other Key Areas
- No Adequate Provision for Spare Parts, Tools or Service Equipment Needs
- Design and Construction Deficiencies Relating to Fire, Safety and Code Violations Requiring Rework
- Careless Selection of Major Pieces of Capital Equipment
- Serious Gaps in Training Programs
- Improper Purchasing Actions
- Complete Absence of Meaningful Maintenance Program Causing Increasing Outages, Early Major Failures, Deteriorating Confidence in Village and School Customers
- Complete Lack of Procedures Contributing to High Costs and Loss of Control
- Poor Logistics and Transportation Planning
- Poor Property Control
- Defective Personnel Policies and High Personnel Turnover
- Large Backlog of High Value Unresolved Warranty Claims and Field Modifications Growing Constantly
- Inadequate Safety Education in Every Area

A new organization and operational concept has been developed for the fourth year grant period which will provide the framework to correct the problem areas. This concept features

- Provision for Operation of Key Areas Without Continual Direction From Management
- Hiring of Outstanding Young Native College Graduates for Intensive Management Training in Preparation for Position of Higher Authority
- Correction of Serious Logistic Problems Relating to Planning, Purchasing and Property Control
- Development of Adequate Organizational Procedures to Improve Control and Efficiency

- Provision for Reasonable Management of Personnel Affairs
- Control of the Financial and Budgeting Functions
- Improved Villager, Board and Staff Skill Development Programs Tailored to Needs
- Improvement of Actual and Potential System Reliability and Longer Range Operating Costs Through Improved Preventive Maintenance, Adequate Emergency Spares, Provision for Emergency Maintenance, Intensified Village Operator Training and Evaluation and Proper Service Aids
- Create a Climate Among Villagers and Employees of Final Success in Place of Current Thoughts of Developing Failure and Poor Response to Their Needs

The overall organization and request is based on minimum needs to insure success. The Native people of Alaska have taken on the task of not only graduating into utility operation but have jumped clear to the top by taking on the task of a utility with logistics, maintenance and training problems greater than any Co-op in the world.

The distance from Angoon to Point Hope is well over 1,000 miles across the roughest terrain and environmental conditions on earth.

The Prudhoe Valdez pipeline was originally estimated to cost 800 million by a team of experts. Latest estimates only one year later are close to 2 billion. The preliminary studies for AVEC were not made in depth because of time and cost considerations. The problems of Alaska are understood by too few.

Many needs have developed which must be supplied to prevent failure or very mediocre undependable service. A prime objective of developing a sense of pride through a successful project by village community action would be lost. The need is for immediate expansion of commitment and more sensitive attitudes by sponsoring agencies to insure a successful program. There will be honor enough for all if we succeed. There will be no place to hide or bury the guilt if we fail after being so close to success. Failure at this point could well cause a more lasting negative effect than not starting.

HOUSE FINANCE COMMITTEE

January 19, 1971

9:00 a.m.

Present: All members.

Chairman Hohman called the meeting to order and made the following bill assignments:

- HB 10 HOUSE BILL NO. 10 (Relating to remuneration of election judges, clerks, etc.)--Degnan.
- HB 14 HOUSE BILL NO. 14 (Creating legislative budget and audit committee etc.)--Committee of the Whole.
- HB 30 HOUSE BILL NO. 30 (licensing of salon assistants)--Wright
- HB 59 HOUSE BILL NO. 59 (Appropriating \$175,700 to Dept of Public Works)--Ditman
- HB 60 HOUSE BILL NO. 60 (Appropriating \$1,261,600 to Dept. of Works) --Haugen
- HB 64 HOUSE BILL NO. 64 (Appropriating \$207,500 to the Department of Administration, Plamer Pioneers' Home) --Warwick
- HB 67 HOUSE BILL NO. 67 (Appropriating \$20,000 to Military Affairs)--Hohman
- HB 70 HOUSE BILL NO. 70 (Appropriating \$400,000 to Public Works) --Warwick
- HB 71 HOUSE BILL NO. 71 (Appropriating \$15,000 to Public Works) --Degnan (later reassigned to Ditman)
- HB 72 HOUSE BILL NO. 72 (Appropriating \$100,000 to Public Works) --Wright
- HB 75 HOUSE BILL NO. 75 (Appropriating \$118,000 to Public Works) --Degnan.

Mr. Hohman suggested that the committee meet in the afternoon with Myrton Charney, Director, Budget and Management and go over the supplementals that have been introduced. A meeting was arranged for 2 p.m.

Mr. Fink requested that a meeting be arranged with Mr. Eric Wohlforth, Commissioner of Revenue, to discuss the State's investment policy. [Mr. Wohlforth is out of town and this meeting will be arranged upon his return.]

Meeting recessed at 9:30 a.m.

AFTER RECESS

1:35 p.m.

Present: All members; Myrton Charney, Director, Budget & Management; Eugene Smith, Budget Analyst, Budget & Management; Joe LaRocca, news reporter.

HB 59 HOUSE BILL 59 (Appropriating to the Department of Public Works, Division of Aviation, \$175,700). Public Works was granted an appropriation effective May 21, 1970, which lapsed on June 30, 1970, and did not have an opportunity to use the appropriation. They requested, under Executive Order 20, to proceed with the project and submit another supplemental bill this year. \$120,000 will be used for the purchase of buses and the balance for operating costs for the next fiscal year. There may be a saving in operating costs due to delay in the delivery of the buses and further information will be requested from Public Works. Gene Smith will provide copies of last year's supplemental back-up material for the committee.

HB 60 HOUSE BILL 60 (Appropriating to the Department of Public Works, Marine Transportation Division, \$1,261,600). A new contract negotiated with the ferry system union resulted in higher salaries and a uniform allowance for the crew. Several positions have been added in accordance with Coast Guard requirements. The groundings of the Taku and Tustumena, an increase in contractual obligations with the B.C. ferries in Prince Rupert, and repairs to the docks in S.E. Alaska added unexpected costs. Detailed back-up material will be provided to the committee by Gene Smith.

62

HOUSE BILL 62 (Appropriating to the Bond Committee, \$3,335,000). Several bond issues were tightened to a much shorter period than originally anticipated, which increased debt service considerably. Last year's estimates projected approximately \$1,800,000 in debt service for a nine-month period and an additional \$3,335,000 is requested.

HB 64

HOUSE BILL 64 (Appropriating to the Department of Administration, Alaska Pioneers' Homes, \$207,500). The Department of Administration has requested an appropriation in order to outfit the new Pioneers' Home at Palmer, to be used for supplies, equipment, hire of seven new positions, and to cover additional construction costs which were not anticipated in the original capital appropriation. Actual operating costs of the Home are included in next year's budget request.

HB 67

HOUSE BILL 67 (Appropriating to the Department of Military Affairs, Alaska National Guard, \$20,000). Military Affairs has requested an additional \$20,000 to meet the needs of the reenlistment bonus program. When the program was initiated last year, \$15,000 was appropriated, which proved to be an inaccurate estimate.

HB 70

HOUSE BILL 70 (Appropriating to the Department of Public Works from the International Airport Revenue Fund, \$400,000). \$200,000 is requested for the Fairbanks International Airport East Access Road in order to start construction early in the season, rather than wait until July and waste the construction period. \$200,000 was appropriated last year for the Anchorage International Maintenance

Complex, but the money was diverted to land acquisition for another project. Tracy Kaldor, Public Works, could provide additional information on this request.

HB 71 HOUSE BILL 71 (Appropriating to the Department of Public Works, Division of Buildings, \$15,000). The Department of Highways moved their operation from the Glenallen Highway Maintenance Station and the Department of Public Works was asked to maintain the station, but no funds were appropriated. It is state property.

HB 72 HOUSE BILL 72 (Appropriating to the Department of Public Works, Division of Buildings, \$100,000). The original appropriation of \$500,000 proved inadequate for the completion of construction of the temporary building for the Department of Public Safety, due mainly to the overtime required to complete the building by the time the legislature convened. \$80,000 was also appropriated to the Department of Administration for a records center to be located in the new building. Public Safety is the sole occupant and occupies the records center area until the upper floor is finished.

HB 75 HOUSE BILL 75 (Appropriating to the Department of Public Works, Aviation, \$118,000). Over 100 Security Guards at the Anchorage and Fairbanks Airports have been reclassified and upgraded by the Division of Personnel, effective January 16, 1971, if approved by the legislature. In addition, the payment of time and a half for overtime was initiated on December 1st.

HB 76 HOUSE BILL 76 (Appropriating for miscellaneous claims). Various state agencies have presented miscellaneous claims, copies of which are

available in the bill file.

After a short recess, the committee scheduled a bill meeting for Thursday, January 21, to discuss HJR 4, HB 10, HB 30, HB 67, and HB 76. HJR 4 was assigned to Mr. Ditman.

Discussion following on setting a maximum amount of money to be appropriated during the session, and Mr. Fink suggested an amount be decided before any bills are released. Increased budget requests were discussed.

Journed: Meeting adjourned at 3:15 p.m.

HOUSE FINANCE COMMITTEE

January 21, 1971

9:10 a.m.

Present: All members.

HB 67 Mr. Hohman called the meeting to order and moved and asked unanimous consent that HOUSE BILL NO. 67 (Appropriating to the Department of Military Affairs, Alaska National Guard, \$20,000) be brought up for consideration. No objection, so ordered. Mr. Hohman reported the National Guard requested the supplemental since the original request of \$15,000 last year did not cover the bonus expenses for reenlistment, due to the popularity of the program and the retroactive payments to July 1, 1969. The committee questioned the discrepancy between the estimate prepared by Military Affairs and the actual cost of this program. Additional information will be requested from Military Affairs. After discussion, the bill was returned to sub-committee.

HB 10 Mr. Hohman moved and asked unanimous consent that HOUSE BILL 10 (Relating to the remuneration of election judges, clerks and counters) be brought up for consideration. No objection, so ordered. Mr. Degnan read the projected increase from the fiscal note, which included the proposed rate to be paid to election personnel of \$3.50 per hour (from \$2.50 per hour) and estimated the population growth which would create new precincts. Election supervisors have reported difficulty in obtaining personnel due to the low wages and long hours. A discussion followed on how long it had been since wages were increased and the rate had been raised from \$2.00 to \$2.50 per hour in 1968.

HB 10

Mr. Haugen moved and asked unanimous consent that the following amendment be adopted:

Line 13: Delete [\$3.50] and insert in lieu thereof: \$3.00
Motion failed 2-5. Mr. Degman recommended passing the bill as written. Mr. Hohman moved and asked unanimous consent that HB 10 be passed out of committee with individual recommendations. No objection, so ordered. The bill was passed out with a majority report of "do pass" with one member voting "no recommendation" and one member voting "do not pass."

HJR 4

Mr. Hohman moved and asked unanimous consent that HOUSE JOINT RESOLUTION NO. 4 (Relating to settlement of the Alaska Native land claims) be brought up for consideration. No objection, so ordered. Mr. Ditman recommended the resolution be passed and Messrs. Fink and Haugen called for discussion. Mr. Haugen asked what financial implications were involved in the resolution and did not want the state committed financially to an unknown amount. Mr. Fink moved and asked unanimous consent that the following amendment be adopted:

Page 1, line 26: delete [ALTHOUGH] and insert the
lines 27 and 28: delete [, THE LEGISLATURE NEVERTHELESS
ANTICIPATES MAKING A FAIR AND REASONABLE STATE CONTRIBU-
TION TO THE SETTLEMENT]

Page 2, lines 3 and 4: delete [PARTICIPATE] and following the
word "settlement" add: and to continue with extra programs
and appropriations to bring the Natives into the mainstream.

HJR 4

There was an objection and a discussion followed on whether or not the state should participate. Motion failed 2-5. Mr. Hohman moved and asked unanimous consent that HJR 4 be passed out of committee with individual recommendations. No objection, so ordered. The bill was passed out with the majority reporting "do pass" and two members voting "do pass if amended."

HB 30

Mr. Hohman moved and asked unanimous consent that HOUSE BILL 30 (Relating to the licensing of salon assistants) be brought up for consideration. No objection, so ordered. Mr. Wright reported the fiscal note estimates HB 30 would cost the state \$781 in F.Y. 1971, but would generate jobs for young girls and recommended it from an economic standpoint. The beauty operators are in favor of the bill. State Affairs committee had recommended "do pass" unanimously. Mr. Hohman moved and asked unanimous consent that HB 30 be passed out of committee with individual recommendations. No objection, so ordered. The bill was passed out with a majority report of "do pass" with two members voting "no recommendation."

HB 76

Mr. Hohman said HOUSE BILL 76 (Appropriating for miscellaneous claims) would be discussed at another meeting due to lack of time.

Recess: Meeting recessed at 10:00 a.m.

AFTER RECESS
2:05 p.m.

Present: All members except Mr. Wright.

Bill Assignment: Chairman Hohman called the meeting to order
and the following bills were assigned:

- HB 21 HOUSE BILL NO. 21 (Creating a legislative budget and
audit committee) -- Warwick.
- HB 22 HOUSE BILL NO. 22 (An act relating to veterans
affairs) -- Wright.
- HB 68 HOUSE BILL NO. 68 (Appropriating \$1,168,000 to Dept.
of Highways) -- Degnan.
- HB 74 HOUSE BILL NO. 74 (Appropriating \$42,000 to Fish and
Game - M/V Resolution) -- Haugen.
- HB 82 HOUSE BILL NO. 82 (Act appropriating to Legislative
Affairs) -- Hohman.

Recess: The committee recessed at 2:10 p.m. to await the arrival
of Department of Revenue personnel for a meeting on
State investments (see budget minutes).

HOUSE FINANCE COMMITTEE

January 22, 1971

9:05 a.m.

Present: All members.

HB 76 Mr. Hohman called the meeting to order and Mr. Wright moved and asked unanimous consent that HOUSE BILL NO. 76 (Appropriating for miscellaneous claims) be brought up for consideration. No objection, so ordered. Mr. Wright reported all claims were documented by bills and so recommended the bill be passed. A discussion followed on why these bills had not been paid, since some date back to 1965. Some doctor and hospital bills had been referred to Health & Welfare after non-payment by the patient, others may not have been paid due to oversight or late billing. Mr. Wright moved and asked unanimous consent that HB 76 be passed out of committee and there was no objection. The bill was passed out with a unanimous report of "do pass."

HB 59 Mr. Ditman moved and asked unanimous consent that HOUSE BILL NO. 59 (Appropriating to the Department of Public Works, Division of Aviation, \$175,700) be brought up for consideration. No objection, so ordered. Sufficient information is still not available from the Department of Public Works and Mr. Hohman moved and asked unanimous consent that HB 59 be returned to sub-committee. No objection, so ordered.

HB 82 Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 82 (Appropriating to the Legislative Affairs Agency, \$220,000) be

HB 82

brought up for consideration. No objection, so ordered. A breakdown of the supplemental appropriation requested was listed in a letter from John Elliott, Executive Director, Legislative Affairs Agency (see bill file). Mr. Hohman moved and asked unanimous consent that HB 82 be returned to sub-committee pending further justification. No objection, so ordered.

Adjourned: Meeting adjourned at 9:35 a.m.

After Recess
3:50 p.m.

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

Mr. Hohman called the meeting to order and asked the sub-committees the status of bills. The following bills were reported ready for discussion: HOUSE BILL NO. 72 (Appropriating to the Department of Public Works, Division of Buildings, \$100,000); HOUSE BILL NO. 64 (Appropriating to the Department of Administration, Alaska Pioneers' Homes, \$207,500); and HOUSE BILL NO. 59 (Appropriating to the Department of Public Works, \$175,700).

Mr. Haugen left the meeting at 3:55 p.m.

HB 72

Mr. Wright moved and asked unanimous consent that HOUSE BILL NO. 72 (Appropriating to the Department of Public Works, Division of Buildings, \$100,000) be brought up for consideration. No objection, so ordered. Mr. Wright reported there was still not enough justification from the Department for the supplemental appropriation requested, and in the future the legislature should specify the departments should not exceed the original appropriations. Approximately \$683,700 is justified on a list of expenditures provided by the Department of Public Works for additional work to be done on the temporary office building in the sub-port. Mr. Fink requested a list of all supplemental appropriations, which was provided to him, and he suggested a framework to hold down supplemental appropriations. Discussion followed on what direction the committee will take on supplementals. Concerning HB 72, it was

decided to ask Tracy Kaldor of the Department of Public Works to appear before the committee and present further information on the bidding, the contract, why the building was put on city property with a five-year lease, and the rationale behind increasing the square footage from 10,000 to 19,000 square feet. Mr. Wright moved and asked unanimous consent to return the bill to sub-committee. No objection, so ordered.

HB 64 Mr. Warwick moved and asked unanimous consent that HOUSE BILL NO. 64 (Appropriating to the Department of Administration, Alaska Pioneers' Homes (\$207,500) be brought up for consideration. No objection, so ordered. Mr. Warwick questioned whether the committee wanted testimony from someone in the Department of Administration to justify this request. The additional funds appear to be needed in order to open the Pioneers' Home in Palmer three months early, and the committee had no objection to releasing the funds if this was the reason. Dick Freer of the Department of Administration will be called to appear before the committee and supply further information. Mr. Warwick moved and asked unanimous consent to return the bill to sub-committee. No objection, so ordered.

HB 59 Mr. Ditman moved and asked unanimous consent that HOUSE BILL NO. 59 (Appropriating to the Department of Public Works, \$175,700) be brought up for consideration. No objection, so ordered. Mr. Ditman recommended the figure of \$175,700 be reduced to \$142,000 due to the fact the buses cost \$120,000 and the balance would be used for salaries and fuel.

These expenses can be reduced to cover the balance of the year due to the fact the buses are not in operation. The effective date on the original appropriation bill last year was incorrect, which resulted in the funds being cut off before the department could spend the money. Funds have now been granted under Executive Order 20. Harold Strandberg, Department of Public Works, will be called to give further information. Mr. Hohman moved and asked unanimous consent to return the bill to sub-committee. No objection, so ordered.

Adjourned: The meeting adjourned at 4:50 p.m.

HOUSE FINANCE COMMITTEE MEETING
January 27, 1971
9:15 a.m.

Present: All members.

Chairman Hohman called the meeting to order.

HB 14 Chairman Hohman moved and asked unanimous consent that HOUSE BILL NO. 14 (an act creating a legislative budget and audit committee and providing for the reorganization and establishment of legislative fiscal support services) be brought up for discussion. No objection, so ordered. The committee briefly discussed Mr. Wright's proposed amendment; however, Mr. Dick Freer, Deputy Commissioner, and Mr. Gene Smith, Budget and Management, from the Department of Administration, entered the meeting and the committee deferred discussion until later in the meeting.

HB 64 Mr. Hohman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 64 (an act appropriating \$207,500 to the Department of Administration, Alaska Pioneers' Homes). No objection, so ordered.

Mr. Hohman explained that Mr. Freer and Mr. Smith were present to discuss this bill.

Mr. Warwick explained that the building will be completed ahead of schedule and they need additional money for a skeleton staff to get it open and also for some needed equipment.

Mr. Freer explained this is related more to getting the building completed than to the hiring of personnel.

Mr. Freer said that this is actually out of the Department of Administration's hands as the construction is handled by the Division of Buildings.

In answer to Mr. Warwick, Mr. Freer explained that the original \$2,000,000 G.O. bond was to be a "turn key" operation.

The committee had many questions regarding this but Mr. Freer felt the committee should discuss this with the Division of Buildings. Mr. Warwick said he would talk to Bill Race, Division of Buildings, and the bill was returned to subcommittee for further investigation.

HB 72 (appropriating \$100,000 to Dept. of Public Works)
The committee briefly discussed the decision to take

the \$80,000 budgeted last year for the records management center and put it into the new Public Safety building.

Mr. Freer explained that the only place for the records was in the support and this was not desirable as it was damp and somewhat of a fire hazard. He said when the decision was made to build a new Public Safety building it was felt to be better to add the \$80,000 to the \$500,000 allowed for the new metal building and include room for the records. He said this was a more satisfactory choice as it is

a metal building with concrete floors and good heating. In answer to Mr. Wright, Mr. Freer said this was an administrative decision. Mr. Freer also said there is some question as to whether the \$580,000 will be enough to finish this. Mr. Hohman asked if the building was close enough to completion so the committee might have an accurate estimate as to what the completion cost would be. Mr. Freer advised the committee to talk to the Division of Buildings on this. Mr. Haugen asked if it was correct to say that adding the \$80,000 for records management did not contribute to any problems they may be having. Mr. Freer said as far as he knew it did not.

HB 62 Mr. Hohman asked Mr. Freer about the under estimation of the interest and principal payment projections for the HOUSE BILL NO. 62 (appropriating to Bond Committee) General Obligation bonds/. Mr. Freer said generally they were off because they estimated their bond services on a 20 year period and had to sell at 5 to 10 years. Mr. Freer agreed to furnish additional information on this and Mr. Freer and Mr. Smith left the meeting.

HB 14 The committee reverted back to HOUSE BILL NO. 14 and Mr. Wright read his proposed amendment concerning membership and the committee discussed this briefly. HOUSE BILL NO. 14 was returned to subcommittee.

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

AFTER RECESS

1:30 p.m.

Present: All members

HB 14 The committee again took up the subject of HOUSE BILL NO. 14 (an act creating a legislative budget and audit committee and providing for the reorganization and establishment of legislative fiscal support services) and the following amendments were discussed:

Amendment No. 1, by Mr. Wright:

Sec. 24.20.161 MEMBERSHIP. The legislative budget and audit committee is composed of the president of the senate and speaker of the house as ex-officio, non-voting members, the chairmen of the senate and house finance committees elected at the first session of each legislature, two members each selected from the senate and house finance committees appointed by the president of the senate and the speaker of the house respectively, and one member, preferably with finance committee experience, appointed from each house by the respective presiding officer. The membership from each house shall include at least one member from each of the two major political parties. The chairmanship of the committee shall alternate on a year to year basis between the chairmen of the house and senate finance committees.

Amendment No. 2 by Mr. Hohman:

Sec. 24.20.161 MEMBERSHIP. The legislative budget and audit committee is composed of the chairmen of the senate and house finance committees, two members each selected from the senate and house finance committees appointed by the president of the senate and the speaker of the house respectively, and one member appointed from each house by the respective presiding officer. The membership from each house shall include at least one member from each of the two major political parties. The committee shall select its own chairman.

The committee discussed the problem of the Legislature delaying for such a long period of time the organization and appointment of a new Legislative Council. It was felt that the old committee was left in power far beyond the time of the original organization. It was thought the following amendment could alleviate this situation:

Sec. 24.20.171. ORGANIZATION - TERM OF MEMBERSHIP. The legislative budget and audit committee shall be organized within five days of the convening of each legislature. Members serve for the duration of the legislature during which they are appointed.

The witnesses for the Department of Public Works arrived and the committee recessed for a few minutes to allow them to be seated.

After Recess
3:30 p.m.

Present: All members. George Easley, Commissioner; Harold D. Strandberg, former Commissioner; Tracy Kaldor, Administrative Director, Department of Public Works.

Mr. Hohman called the meeting to order.

HB 72 Mr. Wright asked for further information on HOUSE BILL NO. 72 (Appropriating to the Department of Public Works, Division of Buildings, \$100,000). Mr. Strandberg listed bidding and contract dates and reported the Department of Public Works did not go over the \$500,000 original appropriation; in fact, there is a surplus of \$37,543 in unobligated funds. To complete the second floor of the building will require \$137,500 and, if funds are not allocated, no more work will be done. Mr. Strandberg said Public Works was instructed by the Free Conference Committee to build a building for Public Safety and they were under pressure to complete it before the legislature convened this year. Overtime was authorized in a telegram from Gene Guess to Mr. Strandberg and work proceeded on double shifts, seven days a week. The building is on state land in the sub-port and is temporary until the new office building is completed. Mr. Strandberg will check on whether zoning laws will allow this building to remain after the five-year lease period.

\$80,000 was appropriated to build a records center and the Department of Administration added these funds to the original \$500,000 in order to include the records center in the Public Safety building. Mr. Strandberg stressed the Department of Public Works did not exceed the \$580,000 appropriation and requested the supplemental in order to finish the second floor.

HB 59

Mr. Ditman requested information on HOUSE BILL NO. 59 (Appropriating to the Department of Public Works, Division of Aviation, \$175,700) and Mr. Strandberg reported the original bill last year was drafted incorrectly, allowing the funds to lapse before they could be used. The \$175,700 appropriation can be reduced to \$100,000, since experience with the 747's indicates only two buses will be required to handle the passengers. A memo will be sent to the committee revising the supplemental appropriation. Mr. Ditman asked about the money already granted under Executive Order 20 and Mr. Kaldor said this has never been touched. Mr. Easley said the Department felt the proper method would be to return to the legislature and request the funds again.

Mr. Kaldor said the operating funds are in next year's budget and five employees will be needed. Mr. Wright questioned the number of positions, since there will be only two buses operating instead of the three originally requested. The department will review their request. The buses will shuttle passengers to and from airplanes, increasing safety by keeping people off the runway, and will operate around the clock, seven days a week. Mr. Kaldor doubted if they could operate on this schedule with less than five employees.

Mr. Hogan asked if Executive Order 20 needs to be voided and Mr. Easley said the Order was taken to be permissive rather than directive. If directive, Public Works must void Executive Order 20.

Adjourned: Meeting adjourned at 4:25 p.m.

HOUSE FINANCE COMMITTEE MEETING
January 28, 1971
9:00 a.m.

Present: All members except Mr. Ditman and Mr. Wright.

HB 82 Chairman Hohman called the meeting to order and moved and asked unanimous consent that the committee consider HOUSE BILL NO. 82 (an act appropriating \$220,000 to the Legislative Affairs Agency). No objections, so ordered. Mr. Hohman read a breakdown of the bill noting that \$901.00 is due Wien Airlines for a 1965 bill incurred by the Legislative Council during 1965. Mr. Wright entered the meeting.

The committee questioned the fact that the airlines had waited so long in presenting the bill. Mr. Fink felt there was a limit of time included in the statutes that would cover this and Mr. Hogan left the meeting to research this.

Mr. Joe LaRocca, news reporter, entered the meeting. Mr. Hohman announced that the committee would hold a workshop type meeting at 1:30 p.m. on January 29 on the Department of Economic Development, and that a meeting would be held at 10:00 a.m. on January 30 to review the Department of Law budget.

HB 60 Mr. Haugen moved and asked unanimous consent that the committee consider HOUSE BILL NO. 60 (an act

appropriating \$1,261,600 to the Department of Public Works, Marine Transportation Division). No objection, so ordered. Mr. Haugen said that the breakdown of the bill is:

Administration	\$ 3,800
S. E. Operations	693,500
S. E. Stewards	396,300
S. W. Operations	140,200
S. W. Stewards	27,800

There is \$693,500 for S. E. Operations and Mr. Haugen said that of this \$457,600 is an increase in labor contract based on union negotiations.

Mr. Haugen said that the \$3,800 for Administration is for the increase in rent for the Simpson Building.

Mr. Fink questioned this and felt it was a very substantial increase.

Mr. Haugen said there is \$457,600 in S. E. Operations and this is an increase in labor contract based on union negotiations. The committee discussed this and Mr. Haugen said that the Department of Public Works had told them of this last year.

Mr. Bob Mottram AP, entered the meeting.

Mr. Haugen said that \$15,000 is for the Prince Rupert terminal and \$80,000 is for extraordinary repair to the Wrangell Dock, and \$45,000 is related to the ferry, the Taku, running aground. Mr. Haugen explained that the

State has insurance that will pay about \$375,000 of the cost but the State will have to pick up about \$45,000. Mr. Warwick asked about the lost revenue caused by ~~the ferry~~, not operating. Mr. Fink said he thought the revised revenue projections did include this.

Mr. Haugen said there was \$6,400 extra for uniform allowance for the crew as a result of the union negotiations.

Mr. Haugen said there is an increase of \$88,000 in cost of fuel.

The \$396,300 for S. E. Stewards is also a result of the union negotiations, Mr. Haugen added. The committee briefly discussed this. Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 60 be passed out of committee with a do pass recommendation. Mr. Fink said he would like a summary of the last five years on this. He felt the tariffs were being determined by what the legislature was willing to pick up. Mr. Warwick said he did not think it would hurt to keep this bill in subcommittee for further investigation. The committee discussed this.

So HOUSE BILL NO. 60 was passed out of committee with 4 "do pass", 1 "no recommendation", and 1 "do not pass".

HB 82 The committee reverted back to discussion on HOUSE
BILL NO. 82. Mr. Hogan had researched the statutes
and read the following:

Sec. 37.25.010 (b) "if (1) this expenditure does not
exceed the balance lapsed; and (2) the
original obligation date is not more
than two years from the requested date
of disbursement."

Mr. Hogan felt the bill for Wien Airlines would be
covered under this section. The committee decided
to have a committee substitute prepared eliminating
\$1,000 for this bill. Mr. Warwick pointed out that
this appropriation had been rounded off by Legislative
Affairs and that the figure should be \$218,500.

The committee substitute reads as follows:

"Section 1. The sum of \$218,500 is appropriated from
the general fund to the Legislative Affairs Agency for
additional expenses for the fiscal year ending June 30,
1971. No portion of this appropriation may be used to
pay any obligation dated more than two years from the
requested date of disbursement.

Section 2. This Act takes effect on the day after its
passage and approval or on the day it becomes law without
approval."

A committee report was prepared to explain the action
of the committee.

Mr. Hohman moved that COMMITTEE SUBSTITUTE FOR HOUSE
BILL NO. 82 be passed out of committee with unanimous
"do pass" recommendation. No objection, so ordered.

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

After Recess
10:55 a.m.

Present: All members with the exception of Mr. Ditman and Mr. Fink.
Mike Bradner, State Representative.

HB 14 Mr. Hohman called the meeting to order. Mr. Bradner said his interest in HOUSE BILL NO. 14 (An Act creating a legislative budget and audit committee and providing for the reorganization and establishment of legislative fiscal support services) stems from his experience on the finance committee. He believes there is a need for more interim activity by the finance committee, especially with the introduction of program budgeting, and the audit committee as presently operating is practically non-functional. Some seats of membership on the budget and audit committee should be left open to bring in members from other committees. There has been isolation in the past by the finance committee from other committees which Mr. Bradner feels is unhealthy.

Mr. Fink arrived at the meeting at 11:00 a.m.

Mr. Bradner continued with his opinion that even if there was an even split between the membership of finance committee members and members of other committees, the finance committee would remain dominant since they are more involved and have the expertise necessary for such a function.

Mr. Haugen questioned how current the audit would be, since this was his main concern. Mr. Bradner said they should provide a factual report on whether or not the information given in the budget is in error and would provide a source of back-up material for the legislature

on performance by the department. Mr. Hogan said by combining the audit and budget function, the legislature can see if the expenditures are in line with what the legislature intended. It would be very current and the finance committee could be advised of departmental actions.

Discussion followed on the constitutional restrictions to such a function and the difference between the three bills introduced on this subject.

Mr. Bradner left the meeting at 11:20 A.M.

Mr. Hohman asked how many times the committee would meet and Mr. Hogan said the present audit committee meets four times a year. With the expanded version, the committee may need to meet more often. However, with good preparation, much could be accomplished in a few days.

Mr. Haugen questioned how the staff would function and Mr. Hogan believes they should do nothing except gather information to turn over to the legislature, who would make the final decision.

In order to arrive at a cost figure for the bill, the committee asked Mr. Hogan to work with Mr. Warwick and the state auditor to prepare estimates on creating an in-house staff and budget for contractual help, if needed. Mr. Hogan cited the discrepancy between salaries currently paid to Legislative Audit and the Legislative Affairs Agency and an adjustment is necessary. The staffs are comparable but the staff in Legislative Affairs has received substantial salary increases while the Legislative Audit staff has not. Mr. Hohman asked Mr. Hogan to prepare an estimate on cost for HB 14.

ourned: Meeting adjourned at 12 noon.

AFTER RECESS

2:00 p.m.

Present: All members except Mr. Ditman.

HB 14 HOUSE BILL NO. 14 (an act creating a legislative budget and audit committee and providing for the reorganization and establishment of legislative fiscal support services) again was before the committee for discussion.

The rotation of the chairmanship of the Budget and Audit Committee was considered, with the argument centering on a one year term versus two years. The committee finally agreed that the two-year term had the most merit. The six-two (six finance committee members -- two non members) ratio was the next decision arrived at and Mr. Fink moved and asked unanimous consent that the following amendment be adopted:

Sec. 24.20.161 MEMBERSHIP. The legislative budget and audit committee is composed of the chairmen of the senate and house finance committees, two members each selected from the senate and house finance committees appointed by the president of the senate and the speaker of the house respectively, and one member appointed from each house by the respective presiding officer. The membership from each house shall include at least one member from each of the two major political parties. The committee shall select its own chairman.

No objection, so ordered.

The committee then moved on to Section 24.20.171 --

TERM OF MEMBERSHIP. The members felt that five days after the organization of the legislature was complete, that

the committee should be appointed. The fact that both Legislative Council and Legislative Audit appointments are often delayed for many weeks following the convening of the Legislature was commented upon and the members were in agreement that this should be discontinued. By putting the five-day clause in the bill, this could be avoided. Mr. Hohman moved and asked unanimous consent that the following amendment be adopted:

Sec. 24.20.171. TERM OF MEMBERSHIP. The legislative budget and audit committee shall be organized within five days after the organization of each legislature. Members serve for the duration of the legislature during which they are appointed.

No objection so ordered.

On page 3, line 4, Mr. Wright moved and asked unanimous consent that the following amendment be adopted:

"Insert new (5) and renumber next two sections.
(5) review all proposed changes to agency authorized operating budgets; "

No objection, so ordered.

The next amendment to be considered was concerning Sec. 24.20.271. Mr. Fink felt that a three-year cycle of auditing each department would be adequate and it was pointed out that a two-year cycle would increase the cost of the Audit Division considerably since it would take many more auditors to keep up that pace. Mr. Fink then moved and asked unanimous consent that the

following amendment be adopted:

"Page 5, line 19, delete "two" and insert "three"

No objection, so ordered.

The committee then proceeded to discuss Mr. Wright's suggestion that on page 5, line 25 (4) be deleted in its entirety since it would be an additional burden to act as advisers to the executive branch on establishing or improving the accounting systems used by the state.

Mr. Wright moved the deletion of (4) and there being no objection, it was so ordered.

The final amendment that the committee agreed upon was changing the effective date clause from a July 1, 1971 effective date to an immediate one. This amendment was adopted unanimously.

Thus, completing all of the additions and deletions to the bill, Mr. Hogan, fiscal analyst, presented the committee with an estimate of the cost for the proposed reorganization of the bill.

Mr. Fink then moved and asked unanimous consent that the above amendments be incorporated into a committee substitute and that the committee adopt COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 14 in lieu of HOUSE BILL NO. 14. No objection, so ordered.

Mr. Hohman made the following bill assignments:

- HB 61 HOUSE BILL NO. 61 (an act appropriating \$3,385,000
to Health and Welfare for estimated
unfunded operating costs) -- Hohman
- HB 65 HOUSE BILL NO. 65 (An act appropriating \$1,529,300 to
Dept. of Education, District School
Support) -- Wright
- HB 66 HOUSE BILL NO. 66 (An act appropriating \$200,000 to Dept.
of Education, Vocational Rehabilitation)
-- Degnan
- HB 105 HOUSE BILL NO. 105 (Area differentials for teachers) --
Hohman

Adjournment: The committee adjourned at 3:15 p.m.

HOUSE FINANCE COMMITTEE MEETING
January 29, 1971
9:15 a.m.

Present: All members except Mr. Wright.

HB 59 Mr. Ditman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 59 (appropriating \$175,700 to Public Works for in-port passenger bus service). No objection, so ordered. Mr. Ditman moved to amend this figure to \$100,000 to allow for two buses. No objection, so ordered. (The committee discussed the number of passengers per bus and it was later noted that the buses have an estimated capacity of 45 standing passengers with a few seats for passengers who require seating.) Mr. Ditman moved and asked unanimous consent that HOUSE BILL NO. 59 as amended be passed out of committee with unanimous do pass recommendation. No objection, so order. A committee report on the amendment was included with the bill. Mr. Wright entered the meeting.

HB 64 Mr. Warwick moved and asked unanimous consent that the committee consider HOUSE BILL NO. 64 (appropriating \$207,500 to the Department of Administration, Alaska Pioneers' Homes). No objection, so ordered. Mr. Warwick explained that he had talked to the Division of Buildings and has a satisfactory explanation of the

need for the appropriation. Mr. Warwick illustrated on the blackboard some of the cost involved (\$100,000 for the architect's fees, \$11,000 for miscellaneous cost, \$85,000 for equipment and \$100,000 for contingency and inspection cost). Mr. Warwick said that \$126,000 of the request is due to underestimation of the cost and the balance is due to the building opening early. Mr. Warwick explained that the architect wanted to design the most expensive building possible. He said his fee had been reduced from \$100,000 to \$90,000. Mr. Wright questioned the architect's fee and the committee briefly discussed this.

Mr. Warwick moved and asked unanimous consent that HOUSE BILL NO. 64 be passed out of committee with a "do pass" recommendation. So HOUSE BILL NO. 64 was passed out of committee with a vote of 6 "do pass" and 1 "no recommendation".

Mrs. Williams called the committee's attention to a data processing project that Senator Ray had originated. This is to determine accurately the vacancy and turnover factor for each department instead of using an arbitrary figure. Data Processing has prepared a tab run for the Department of Health and Welfare and will follow up with a summary report for the committee. Mr. Hogan explained how this will be of benefit to the committee.

Mr. Hohman announced a meeting for 1:30 to review the Dept. of Economic Development's budget and the committee recessed at 9:40 a.m.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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Mr. Hohman announced a meeting for 1:30 to review the Dept. of Economic Development's budget and the committee recessed at 9:40 a.m.

After recess
2:00 p.m.

Present: All members except Mr. Ditman.

Bill

Assignments: Mr. Hohman made the following bill assignments:

HB 83 HOUSE BILL NO. 83 (disposition of state land in certain situations) -- Mr. Fink.

HB 110 HOUSE BILL NO. 110 (Legislative intern program) -- Mr. Wright. at 2:15 p.m. Following bill assignments, the committee adjourned/to do subcommittee work.

HOUSE FINANCE COMMITTEE MEETING
February 3, 1971
9:15 a.m.

Present: All members. Mr. Joe LaRocca, newsreporter, was also present.

HB 66 Chairman Hohman called the meeting to order and Mr. Degnan moved and asked unanimous consent that the committee consider HOUSE BILL NO. 66 (an act appropriating \$200,000 to Dept. of Education, Vocational Rehabilitation). No objection, so ordered. Mr. Degnan explained that Vocational Rehabilitation had budgeted for \$2,000,000 from the federal government and only received \$1,000,000. The committee discussed this. Mr. Fink asked what would happen if Vocational Rehabilitation did not get this supplemental. Mr. Degnan said they would cut down in services to recipients. Mr. Degnan said they had five areas of possible cut backs and read from the information provided by Vocational Rehabilitation (see bill file). Mr. Fink felt that if a department does not receive anticipated funds from the federal government then they should cut back. Mr. Hogan said they are suppose to cut back if they do not get federal receipts; however, this has not received sufficient emphasis. The committee questioned whether it was necessary this short fall be taken out of case services and decided it would be best to talk to the director of the program.

Recess: A meeting with the director was scheduled for 11:00 a.m.
and the meeting recessed at 9:50 a.m.

AFTER RECESS
11:00 a.m.

Present: All members. M. Craft, Director, and L. James, Assistant Director, Vocational Rehabilitation, were also present. Mr. Craft explained that this is the first time in the 10 years that he has been director that they have had to ask for a supplemental. Mr. Craft discussed the programs that the Division of Vocational Rehabilitation was involved in and he explained they had anticipated \$2,000,000 in federal appropriations. However, they received only \$1,000,000. Mr. Craft said during their meetings with the finance committee last year the suggestion was made that the committee approve enough to cover this even if the federal appropriation was not increased to \$2,000,000. Mr. Craft said they felt this indicated the feelings of the committee that Vocational Rehabilitation should get on with the job of implementation. Mr. Craft said it became evident in the fall they would have a \$200,000 short fall and to maintain the approximate level of service to their clients they would have to drastically curtail.

In answer to Mr. Ditman, Mr. James explained they gambled on getting the \$2,000,000 and they did not receive this. Mr. James said they did receive \$200,000 but this is restricted for the rural project for welfare recipients.

Mr. James listed the reductions in personal services, travel, contractual services, equipment and inter-agency charges. Mr. James said with all these reductions they are still faced with reducing service to their clients.

Mr. Degnan asked that a copy of their reductions be sent to the committee.

Mr. Warwick asked how much of the \$1,200,000 received from the federal government was unrestricted.

Mr. James said the \$200,000 for the welfare program was restricted but not the \$1,000,000.

Mr. Warwick asked how much of the \$2,000,000 would have been restricted. Mr. Craft answered that none of this would have been restricted.

Mr. Haugen left the meeting.

Mr. James pointed out that this year they are not going to gamble on federal receipts and their budget is being prepared with this in mind. He said this

type of budgeting raises too many problems.

Mr. Fink asked if the legislature did not give this \$200,000 what would happen. Mr. James said they have cut already, that they have cut "to the bone" in an effort to avoid cutting services.

Mr. Fink said the committee had discussed earlier that possibly the shortage was in the area they are most sensitive to. Mr. James said he could see where they might get this impression; however, they had cut personal services, travel, etc.

Mr. Fink asked about a straight percentage cut.

Mr. James said there are some things they could not reduce by 60 percent without setting up a chain of events. He explained they had an excellent referral service and they should not cut in this area.

They have a good staff and if they do not have the funds to work with they might look elsewhere for jobs.

Mr. Hohman left the meeting and Mr. Degnan took over the chair.

Mr. Fink said supplementals may be a real problem and that if the federal government cuts back then the department should cut back. Mr. James pointed out that in the finance committee meeting last year

it was suggested they try to extend their services. Mr. James said it was also suggested it might be better to fund this entirely by the state.

Mr. Fink asked if the committee had indicated they should come in with a supplemental. Mr. Craft said supplementals were not discussed.

Mr. Craft said there is a possibility they will get the additional \$1,000,000. Mr. Fink asked if they did get this would they need a supplemental next year and Mr. James said no. Mr. Craft said that if they get an additional \$1,000,000 then they will use less of the unrestricted state appropriations than they are projecting.

Mr. Craft said that built in to the federal concept of funding is the provision that the state must maintain its level. He pointed out that Alaska is matching with a higher percentage of state funds than any other state in the Union.

In answer to Mr. Wright, Mr. James said if they underexpend in a given year the refunds go back on a 80/20 basis (80 per cent federal, 20 per cent state).

Mr. Wright asked what the client load was in 1969 and Mr. James said they had an increase in the number

of referrals of about 33 per cent. Mr. Wright questioned the increase in funding in comparison with the increase in case load. Mr. James pointed out that the \$200,000 is restricted to welfare clients. Mr. Wright asked what portion of this is developed for welfare cases. Mr. Craft said they maintain a pretty fair percentage as compared to other states. He said Alaska has some rare problems -- the number of alcoholics, and the inner ear damage that many of the children in the Kuskakwim have. Mr. Craft spoke briefly on this. Mr. Wright asked if they could say that at least \$200,000 is being extended for welfare cases. Mr. James said he would research this.

In answer to questions from the committee, Mr. James gave a brief explanation of the \$200,000 which is restricted for welfare clients.

Mr. Degnan asked the case load for professional counselors and Mr. James said he would provide this for the committee. Mr. Fink asked of the 60 authorized positions in the prior year, how many are filled. Mr. James thought they had about 4 vacant professional positions. He added they had deliberately postponed filling positions because of the shortage of funds.

Recess: The committee recessed at 11:55 a.m.

After Recess
2:45 p.m.

Present: All members with the exception of Mr. Hohman. Emery W. Chapple, Jr., Commissioner; Pat Wellington, Deputy Commissioner; Gordon R. Nelson, Director, Division of Technical Services, Department of Public Safety; Myrton Charney, Director; Rich Guthrie, Budget Analyst, Department of Budget & Management.

HB 72 Mr. Ditman called the meeting to order and asked for information on HOUSE BILL NO. 72 (Appropriating to the Department of Public Works, Division of Buildings, \$100,000). Mr. Chapple distributed a memo to the finance committee on the space assigned to the Department of Public Safety (see bill file). In summary, the department gained space. Mr. Chapple said additional space was necessary since the department had been crowded into offices in the Capitol Building. Mr. Wright asked if the \$100,000 supplemental will complete the building in the subport and Mr. Chapple said the Division of Buildings estimated the cost and the latest figure was \$126,000. Negotiations are still being conducted with the contractor. Mr. Chapple said it is now rather cumbersome with the Commissioner and Deputy Commissioner still housed in the Capitol Buildings, waiting for space to be finished in the subport building. Captain Nelson said personnel problems are occurring due to the disagreeable working conditions at the present time in an unfinished building. Mr. Ditman requested a current estimate be obtained from the Division of Buildings.

SB 70 SENATE BILL NO. 70 (Allotment to residents of Pioneers Home from \$20.00 to \$35.00 a day) was assigned to Mr. Warwick.

Adjourned: Meeting adjourned at 2:55 p.m.

AFTER RECESS

4:05 p.m.

Present: All members. Representative Carl Moses and Harvey King, Department of Education, was also present.

HB 105 Mr. Hohman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 105 (an act relating to area differentials for teachers). No objection, so ordered. Mr. Moses testified on this bill saying that the HEW committee would like to have this bill back. Mr. King distributed information regarding the instructional unit allotment (see bill file) and spoke briefly on this. Mr. Hohman said they would take this into consideration and the bill was returned to the file.

Adjournment: The meeting adjourned at 4:15 p.m.

After Recess
11:00 a.m.

Present: All members with the exception of Messrs. Ditman and Wright.

HB 137 Mr. Hohman called the meeting to order and made the following
bill assignments:

HOUSE BILL NO. 137 (Appropriation to the Department of Commerce,
\$10,000,000) - Wright

HB 115 HOUSE BILL NO. 115 (Relating to excise tax credits on alcoholic
beverages) - Hohman.

Adjourned: The meeting adjourned at 11:10 a.m.

HOUSE FINANCE COMMITTEE

February 9, 1971

1:40 p.m.

Present: All members with the exception of Mr. Wright. Frederick P. McGinnis, Commissioner, Department of Health & Welfare; Robert A. Hall, former Commissioner; V. L. Iverson, Director, Division of Administrative Services; Donald K. Freedman, M. D., Director, Division of Public Health; Stanley P. Harris, Director, Division of Public Welfare; Mr. McLean, Division of Mental Health, Roger Lang, Controller, Department of Health & Welfare; Walt Norem, Budget Analyst, Division of Budget & Management.

HB 61 Mr. Hohman called the meeting to order and asked Mr. McGinnis for a statement on HOUSE BILL NO. 61 (Appropriating to the Department of Health & Welfare, \$3,385,600). Mr. McGinnis said when the appropriations to the Department of Health & Welfare were made last year there was an understanding that the appropriations were not sufficient and a notation was made at that time that a supplemental would be submitted before the year was over. In addition to this supplemental, another one is before the Governor's Review Committee and will be sent over by the Department of Administration when ready. The department planned to return for further testimony on the budget next week, but pipeline hearings in Washington may interfere. Costs overall increased 46% and more persons qualified for assistance, following a general pattern of rising costs in welfare state-wide and nation-wide. Mr. McGinnis introduced Mr. Hall, who introduced the other members from the department.

Mr. Warwick questioned the legislative intent to grant a supplemental and Mr. McGinnis said he will locate the specific reference for the finance committee.

Mr. Hall noted bills for increased welfare assistance were passed last year by the legislature but not funded. Early action on the supplemental will carry on programs for the balance of the year. Mr. McGinnis said provisions of this particular supplemental are crucial since funds allocated to the line items are now virtually exhausted.

Unemployment is increasing in Fairbanks and Anchorage and stands at 11 - 12%, and caseloads are rising at a rapid rate.

Mr. Ditman left the meeting at 1:55 p.m.

Mr. Hohman questioned the four house trailers requested for Bethel due to the high turnover in personnel unable to find adequate housing.

Mr. Hohman requested a written statement from the department on the importance of maintaining personnel in Bethel and asked further questions on the trailers. Mr. Harris answered the department is uncertain as to the size trailer needed and the sewer system presents a problem on the location. Mr. Hohman asked if long-term leases had been considered and Mr. Iverson said there were no proposals when long-term leasing was presented to the local citizens, the ASHA houses are not a suitable place to live, and the employees will not stay in Bethel. Mr. Hohman asked for a history of housing problems, costs, etc., to be submitted to the committee since he did not like to see the state taking the responsibility which should be taken by individuals. Mr. Haugen asked how many welfare workers were based in Bethel and Mr. Hall said there are 18 people serving the area, but

some nurses are working out of Anchorage. They wish to move the nurses to Bethel instead of having them commute from Anchorage, and Mr. Haugen noted this is contrary to the statement made three years ago when the department wanted to move the nurses from Bethel to Anchorage. Discussion continued on the housing problem and Mr. Harris added the BIA does provide housing for their employees.

Mr. Fink said the budget increased last year by 33% and this supplemental adds another 10%. He asked why there was such an increase of people applying for welfare. Mr. Hall said SB 386 made it more palatable for borderline cases to secure assistance from the state. Aid to blind and disabled went into effect in October, eligibility standards were changed for the minimum income required to get on the welfare roles, and the OEO encouraged many people who are eligible to take advantage of the welfare payments.

In answer to Mr. Fink's question, Mr. McGinnis said there is not a sizable number of people taking advantage of the welfare system, possibly 1% or 2%, and a surveillance system may far exceed the cost of the occasional abuser.

Mr. McGinnis said welfare cases throughout the nation are rising and he gave Mr. Hohman a report on the percentage increase among the states. More actual dollars are provided for Alaskans than any other state in the union, but the cost-of-living differential brings it more in line with other states. Mr. Degnan asked if the cost-of-living differential within the state was taken into consideration when welfare payments were made and Mr. Harris said they made a study on the Adult Public Assistance program and decided on a flat grant

of up to \$250 per month. There is a factor of General Relief funds and if an emergency occurs, such as shortage of fuel, GR funds can be granted.

In answer to questions by Mr. Fink, Mr. Iverson said programs are running out of funds and the money has been encumbered in other areas. There is a program deficit of over \$42,000 just in salaries, and there is no money left in Personal Services. A request has been submitted to the Department of Administration, who had been appropriated the funds to cover shortages in departments anticipated as a result of the general salary increase last year.

Mr. Fink asked if there was an overlap in the programs supported by the BIA and those of Health & Welfare and Mr. Harris explained that cases not covered by their department's categories will be referred to the BIA. There is no overlap in assistance programs. Mr. Iverson said in welfare alone there were 12,856 recipients as of the end of December, which doesn't take into account food stamps. Mr. Hall said some programs affect the entire population and the figure would increase considerably if environmental health, mental health and education programs were included.

Mr. Hall said HB 8, AFDC, and SB 251, Child Care, were passed by the legislature last year, but not funded. Traditionally the Department of Health & Welfare has received supplementals and this should be taken into consideration when looking at prior years' budgets, according to Mr. Hall. Mr. McGinnis said the department hopes to keep within the budget next year or may need to request another supplemental or eliminate programs.

Mr. Hohman asked the members of the Department of Health & Welfare to return when the supplemental is received and be prepared to discuss the questions asked by the finance committee at this meeting.

Recess: The meeting recessed at 2:45 p.m.

HB 121 Mr. Hohman called the meeting to order at 3:00 p.m. and made the following bill assignment: HOUSE BILL NO. 121 (Appropriation \$300,000 to the Department of Highways - feasibility study for crossing between Tongass Narrows and Gravina Island) -- Ditman.

HB 67 Mr. Hohman moved and asked unanimous consent to bring up HOUSE BILL NO. 67 (Appropriating \$20,000 to Military Affairs, ANG, for reenlistment bonuses) for discussion. No objection, so ordered. Mr. Hohman explained to the committee that this was the amount needed to finish out the fiscal year and that last year \$15,000 had been appropriated to initiate this new program. Without the benefit of an experience factor, the department could not tell for sure what it would cost and it now appears they will need the additional \$20,000 to fund the program for the balance of the fiscal year. In answer to Mr. Fink's question, Mr. Hohman said it was a 5% base pay bonus for reenlistment (see Ch. 204, SLA 1970) which averages about \$150 per enlistee. Mr. Degnan told the committee that he thought this bonus was definitely an incentive to young men in the bush area to reenlist because some of them simply did not have any other income for many months out of the year.

The National Guard program was discussed and Mr. Degnan said the maximum number allowed for the Guard was 2,818 and the present strength was 2,273. Mr. Hohman moved and asked unanimous consent that

HB 67 be reported out with a "do pass" recommendation. No objection,
so ordered.

Adjourned: The meeting adjourned at 3:30 p.m.

AFTER RECESS

9:40 a.m.

Present: All members except Mr. Wright.

HB 83 Mr. Fink moved and asked unanimous consent that the committee consider HOUSE BILL NO. 83 (relating to disposition of state land in certain situations). No objection, so ordered. Mr. Fink gave an explanation of the bill noting this would apply to heirs or devisees of squatters. He said he had talked to Mr. Wallington, Deputy Commissioner of Natural Resources, and he is opposed to the bill. Mr. Wallington said they did not know how much land would be involved as a heir could come in, live in a cabin and apply to the State for land. Mr. Fink said he had requested a memo from Natural Resources on this. The committee decided to wait for the memo and the bill was returned to subcommittee.

HB 62 Mr. Fink moved and asked unanimous consent that the committee consider HOUSE BILL NO. 62 (an act appropriating to the Bond Committee). No objection, so ordered. Mr. Fink said that \$265,000 of this is actually rent -- \$249,000 should be a supplemental to the Department of Highways and \$15,000 to the Department of Fish and Game. Mr. Fink wondered if this bill should be redrafted. He felt they should make it clear it is a supplemental to these departments. Mr. Hogan suggested a committee substitute for this bill could be prepared showing this. The committee discussed this but the bill was returned to subcommittee for further investigation.

Recess: The meeting recessed at 9:55.

AFTER RECESS
4:15 p.m.

Present: Messrs. Warwick and Hohman. Dr. Fred McGinnis was
present to give testimony on HOUSE BILL NO. 52
HB 52 (an act appropriating to the Department of Education,
HB 63 Alaska Higher Educational Facilities Act Commission).
Dr. McGinnis explained that COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 52 is a revised version of HB 52
(Appropriating \$950,000 to Dept. of Education)
and HB 63. He said both the original HB 52 and HB 63
had a lot of additional wording and detail which the
members of the HEW committee seemed to feel cluttered
it unnecessarily. (CSHB No. 52 adds "contractual
agreements" and provides the Act takes effect on the day
after its passage. The effective date on HB 52 is
July 1, 1971. HB 63 provides \$950,000 be appropriated
from the general fund to the Department of Education,
for estimated unfunded requirements for contractual
support to private institutions -- Alaska Methodist
University and Sheldon-Jackson College. HB 52 appropriates
\$950,000 from the general fund to the Department of
Education, Alaska Higher Education Commission, for the
purposes of providing scholarship grants and loans.)
Dr. McGinnis gave a brief history of what had happened
last year. Mr. Hogan said this is Chapter No. 230.

Dr. McGinnis said it was his understanding that this Chapter had been a merger of four different acts.

He said it was his understanding that the need for the supplemental is (1) the bill as passed last year changes the maximum amount of both loans and grants from \$500 to \$750 per recipient; (2) makes it possible to cover room and board also; (3) makes it possible for loans to students going to any college in the nation; and (4) makes it possible for the state to enter into private contractual agreements with accredited privately sponsored institutions in Alaska for the provision of educational services for residents of Alaska. Mr. McGinnis said the money allocated was not sufficient to take care of all the changes. He said the supplemental bill does make it possible to take care of all the changes and to fund what the legislature had in mind.

In answer to Mr. Warwick, Dr. McGinnis said that CSHB 52 and HB 63 were exactly the same. Mr. Warwick asked if the \$950,000 for contractual services is also for student loans. Mr. McGinnis said this is estimated to cover all contractual services. He said should this actual amount be less they could make additional loans. He added that the \$950,000 is based on the best estimates of Alaska Methodist University and Sheldon Jackson.

Mr. Warwick said the legislature is heavily committed to the University of Alaska and their budget is really growing. He felt by subsidizing private institutions the State is working against itself. Dr. McGinnis said the University of Alaska and Alaska Methodist University have plans in regards to the complementary nature of their programs. Dr. McGinnis discussed this in detail.

In answer to Mr. Warwick, Dr. McGinnis explained the source of funding for Alaska Methodist University.

Mr. Warwick asked about the community college in Anchorage and Dr. McGinnis spoke on programs offered by the community college and AMU and the expense of duplication.

He suggested some of the areas that could be combined.

Mr. Hohman left the meeting.

There was a discussion between Mr. Warwick and Dr. McGinnis on the mechanics of budgeting.

In answer to Mr. Warwick, Dr. McGinnis said \$250,000 was funded last year but they need an additional \$950,000 to provide everything. Mr. Warwick felt the information should be readily available to determine how much of this \$950,000 could be used. Dr. McGinnis said the students are under the impression that they will qualify for this.