

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2511

Dr. McGinnis said they felt this amount would be required to take care of the provisions of the statute. Dr. McGinnis noted that last year it was apparent to Governor Miller that this had been under funded. This was briefly discussed and the meeting adjourned at 5:05 p.m.

HOUSE FINANCE COMMITTEE
February 11, 1971
9:25 a.m.

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

SB 70 Mr. Hohman called the meeting to order and Mr. Warwick moved and asked unanimous consent to bring SENATE BILL NO. 70 (Relating to the allotment to residents of Pioneers' Home) before the committee. No objection, so ordered. Mr. Warwick said the bill is to raise the \$20 allotment for residents of Pioneers' Homes to \$30. It is identical to HB 576 am of last year, and Mr. Warwick read the history of HB 576am from David Dean's memo of February 2, 1971 (see bill file). Mr. Haugen asked if this is to fund just the period between March 1 and July 1 and Mr. Warwick said yes. In answer to Mr. Fink's question, Nadine Williams said when Senator Butrovich took over the Senate Finance Committee last year, he immediately reported the bill out to the Rules Committee but it was at free conference time and Senator Hammond forgot to get it out. Legislators were upset when the session was over and the bill has not been passed. Mr. Warwick moved and asked unanimous consent that SB 70 be passed out of committee with a "do pass" recommendation. No objection, so ordered, and the bill was passed out of committee with a unanimous "do pass" recommendation.

HB 21 Mr. Warwick moved and asked unanimous consent to bring HOUSE BILL NO. 21 (Relating to state aid to fairs) before the committee. No objection, so ordered. Mr. Warwick read the fiscal note (see bill file) and the bill requests an appropriation for capital improvements to fairs. There is increasing pressure to build more facilities, and \$30,000 requested now would rise to an estimated \$85,000 in 1972. Mr. Fink

questioned the appropriations to different areas and Mr. Warwick said it is on a matching basis. Mr. Haugen stated he believes they should be more self-supporting as they grow and Mr. Warwick said they could, but they can't built improvements unless they charge extra fees. Mr. Hohman noted there is \$33,000 included in the Natural Resources budget for fairs. Mr. Mike Bradner joined the meeting at 9:45 a.m. He said the request is for grounds improvement, sewer and sanitary systems, parking areas, and customer service facilities, and not to defray operating expenses. Mr. Fink suggested a one-shot capital improvement and Mr. Bradner said this could have some merit. Finally, Mr. Bradner said there is enough invested now that we should move forward, and left the meeting at 9:55 a.m. Mr. Warwick moved and asked unanimous consent to return the bill to sub-committee for further work. No objection, so ordered.

HB 59 Mr. Hillstrand joined the meeting at 9:55 a.m. to testify on HOUSE BILL NO. 59 (Appropriating to the Department of Public Works, \$175,700) for an in-port passenger bus system at the Anchorage International Airport. He objected to the wording, which he believes would permit the department to use the funds for other purposes and asked if he might do some work on re-wording. Mr. Fink noted the money had already been appropriated by Executive Order 20, and Mr. Hillstrand said he just wanted to be sure the money was used to purchase buses. In the event buses are not available, the wording of the bill would permit the money to be used for other purposes. Mr. Hohman asked Mr. Hillstrand to work up a proposed amendment and return the following day for further discussion.

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

HOUSE FINANCE COMMITTEE MEETING
February 12, 1971
8:10 a.m.

Present: All members except Mr. Ditman. Representative Hillstrand and Representative Huber and Mr. Dale Wallington, Deputy Commissioner of Natural Resources, were also present. Chairman Hohman called the meeting to order. He moved and asked unanimous consent that the committee consider
HB 83 HOUSE BILL NO. 83 (an act relating to disposition of state land in certain situations of hardship or injustice). Representative Huber testified on this bill. He explained that he was the administrator of an estate and this is how this problem came to his attention. He said the original intent was not to cut out any heir who had a right to this land but not to open up "a bucket of worms". Representative Huber said this bill had been redrafted as a proposed committee substitute and that this has tightened up the bill and both the attorney who drafted the bill and the Department of Natural Resources feel it is now a good bill. He requested that the proposed committee substitute be accepted by the committee. Representative Tillion entered the meeting. Mr. Fink asked Mr. Huber a few questions about the estate he had referred to. Mr. Fink said that this type

of bill allows squatters to get title to land without paying the appraised price and that he pays the price at the time he originally had it. Mr. Fink said this is an exception to the State's normal way of selling land. Mr. Wallington spoke on the bill saying that the proposed committee substitute will cut out some of the problem. Mr. Warwick asked how many claims have been made under the law as it stands. Mr. Fink said there was one in Southeastern, and six or seven in Northcentral and Southcentral. In answer to Mr. Warwick, Mr. Wallington said this has been in effect since 1968.

Mr. Wallington pointed out to the committee that the administrative cost to settle these claims far exceed what the state receives; however, it does eventually get the land management picture cleared up.

Mr. Fink said this is an exception to the normal way of selling land and he is opposed to these exceptions -- he said this would open it up for a few people, next year they would have a couple of dozen and it would go on forever. In answer to Mr. Wright, Mr. Fink said the committee substitute tightens up the bill in that only a heir or devisee who took possession of the land immediately after the squatter -- it had to be a continuing process.

Mr. Wallington said that now there are so few cases he felt they could manage this; however, the cost of the special legislation far exceeds what the state receives. Representative Tillion was the author of the original bill that is now the present law and he explained the original intent was to help the pioneers get title to the land they were living on. The committee discussed this briefly and the bill was returned to subcommittee.

HB 59 Representative Hillstrand was present to discuss HOUSE BILL NO. 59 (appropriating \$175,700 to Public Works in-port passenger bus service). HB 59 had been reported out of committee on January 29, 1971. Mr. Hillstrand requested the change the wording "unfunded operating costs" to "purchase of equipment". He said if the buses are not purchased the \$100,000 could be used for anything. The committee said they would take this into consideration and Mr. Hillstrand left the meeting.

HB 22 Mr. Wright moved and asked unanimous consent that the committee consider HOUSE BILL NO. 22 (an act relating to Veterans Affairs). No objection so ordered. Mr. Wright referred to the fiscal note and there were questions that the committee wanted answered. It was decided to have Mr. Tinsley, Director of Veterans Affairs, appear at 11:30 and answer the questions in the memo prepared by the staff as a result of the committee's questions. (See following page)

2/12/71

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99801

LEGISLATIVE AFFAIRS AGENCY

TO: Jack Tinsley, Director, Veterans Affairs
FROM: George Hohman, Chairman, House Finance Committee
SUBJECT: HOUSE BILL NO. 22
DATE: February 12, 1971

Several questions have been asked by the Finance Committee concerning the fiscal note on House Bill No. 22.

(1) The salaries for the five new positions would be \$47,000; the fiscal note shows \$79,900.00. Why?

(2) The fiscal note failed to give a breakdown of the years involved, how many \$55,000 loans are anticipated and how much money would be required to fund this.

(3) Assuming that they keep the 10 year resident requirement, the committee wants an estimate on the breakdown of loans -- how many will be business loans and how many multi-dwelling loans?

(4) Assuming that the bill passes with the maximum interest rate at 7 per cent how will the administrative costs be covered. (Discuss current 1/2 per cent spread between loans and marketed rate to Revenue Dept.)

(5) How many loans have been applied for in the past.

(6) In 1969-70 there were 111 loans. How many were business loans?

(7) The committee is interested in the rate of delinquency. When was the 35 per cent delinquency rate and what is the rate now.

HB 66 Mr. Degnan moved and asked unanimous consent that the committee consider HOUSE BILL NO. 66 (an act appropriating \$200,000 to the Department of Education, Vocational Rehabilitation). No objection, so ordered.

Mr. Degnan read the following justification:

This program provides for vocational rehabilitation services to citizens with physical, mental or emotional disabilities. Services include medical, psychological, social, educational and vocational evaluations, provision for restorative surgery or treatment, prothesis or appliances, vocational or academic training, counseling guidance and follow up to insure that employment is appropriate.

The FY 70-71 authorization for expenditures was based upon a \$2,000,000 projection of federal receipts. The actual federal receipts were only \$1,200,000.

In an effort to offset this short fall in federal receipts general program expenditures in all categories have been kept to a minimum level.

\$660,000 - direct case services
 (260,000 - for Dept. of Labor or Public Welfare)
 This leaves \$400,000 in unrestricted case service funds.
 This is approximately \$200,000 less than last year's expenditures for services to the clients.

The general program absorbed two special projects in which services were extended to clients at API and to Special Education students in the Anchorage Borough. These programs would cost \$150,000 during this fiscal year.

Programmed	Actual
Rehab. Facilities	
150,300	\$ 80,000
38,000 (new offices without salaries)	
223,600 Staff	223,600
<u>411,900</u>	<u>303,600</u>
280,000 Offices	
<u>691,900</u>	<u>303,600</u>
= 388,300	
Approx. \$400,000	

Mr. Degnan recommended approval of the supplemental bill. He moved and asked unanimous consent for "do pass" recommendation, but there were objections from committee members. Mr. Fink noted everyone was in favor of rehabilitation, but there is always a request for additional funds. Since they only received \$1,000,000 from the federal government, they are requesting additional money from the state. Mr. Hohman asked for the minutes of a previous meeting, which were not available. This bill was returned to subcommittee for additional information.

Recess: The committee recessed for a few minutes and then went to a budget hearing on the Dept. of Education. (See budget minutes).

AFTER RECESS
11:50 a.m.

Present: All members and Mr. Tinsley, Director of Veterans Affairs.

HB 22 Mr. Tinsley explained that the \$40,335 is only for six months and the \$79,900 is for fiscal year 71/72.

Mr. Wright questioned the five new positions listed on the fiscal note. He did not see how this could add up to \$79,900. The figures were read for the salaries and there were seven positions instead of five. Mr. Hohman said then there were two people already on board and they would be upgraded. Mr. Tinsley said yes. Mr. Hogan

pointed out that just the reclassifications should be shown not the total amount of the salaries.

Mr. Tinsley said that assuming that the maximum to loan is \$55,000 and assuming that the fund is appropriated \$10,000,000 out of the general fund, they would be able to fund approximately 181 loans.

Mr. Fink asked if they had a backlog. Mr. Tinsley said they "pretty much stay even". He said that up to last week they were able to sell the papers to the Department of Revenue.

Mr. Wright asked why they need more money. Mr. Tinsley said the legislation that has been proposed is going to give them a big influx of applications. He added that the Department of Revenue said they do not want to purchase any new loans right now. Mr. Tinsley said they operate on 1/2 of 1 per cent, they receive no money for salaries or expenses out of the general fund. He said they are charging the veterans 7 1/2 per cent and have in the past sold the papers to the Dept. of Revenue for 7 per cent. He pointed out that the revolving fund had not been built up very fast.

The committee discussed the 10 year resident requirement. In answer to Mr. Hohman, Mr. Tinsley said they had no way

of knowing how many 10 year veterans are in the state. Mr. Wright asked how Mr. Tinsley felt about the two year requirement. Mr. Tinsley said he felt it should be a ten year resident requirement -- there are too many transient people in the state.

In answer to Mr. Fink, Mr. Tinsley said they had only made 17 business loans during 1969-70. Mr. Tinsley said he felt veterans who are buying houses should have the first priority. He said they have made 14 business loans so far during this fiscal year. Mr. Tinsley spoke on business loans saying that he was afraid if they turned this into business loans they would be hurting.

Mr. Fink asked about delinquency rates. He asked if the state forecloses. Mr. Tinsley said this has been a problem -- they have not had the backing of the Attorney General's office to work on their loans. He said when he prepared his budget, he asked for an attorney put it had not been allowed. He gave an example of a loan in Fairbanks. They had started foreclosure in 1964 and the loan had still not been foreclosed. Mr. Wright asked what they lose a year. Mr. Tinsley said last year they had written off about \$35,000.

Mr. Tinsley said if they lower the interest rate to 7 per cent and as long as this is lower than the other institutions

then they will have a big influx of applications. Mr. Wright asked for a picture for the last three or four years (the request was unclear so a memo was later written to Mr. Tinsley asking for a delinquency rate for the last three or four years and a breakout of business and home loans for this period).

Mr. Tinsley told the committee that he had written a memo to Representative Kerttula suggesting legislation might be passed whereby the Department of Revenue would loan money at 1 per cent less than what the papers for veterans would be. This would protect the revolving fund. Mr. Wright said then they would not need the \$10,000,000. Mr. Tinsley said as long as they buy the papers this would be fine. Mr. Wright said he would get together with Mr. Kerttula on this.

Mr. Tinsley said they have processed 4,998 loans for a total of \$36,187,594.96. He said in six months of this fiscal year they have made 100 loans for approximately \$2,000,000.

Mr. Tinsley said in 1969-70 they have only accrued 17 business loans because of the shortage of funds. He said they were more interested in getting veterans into houses rather than making business loans.

Mr. Tinsley said the rate of delinquency is 6 per cent. It was 35 percent in 1967 and 1968. Mr. Wright asked if this was when some of the loans were written off. Mr. Tinsley said some were written off but not too many. He said the proper work was not being done to contact delinquent veterans with foreclosure contact by the Attorney General's office. Mr. Tinsley left the meeting and Mr. Hohman requested Mr. Wright to return this bill to subcommittee with recommendations for the bill to be ready early next week.

Bill Assignment: The following bills were assigned:

HB 80 HOUSE BILL NO. 80 (State aid for school construction)

Mr. Wright

HB 157 HOUSE BILL NO. 157 (Public school foundation program)

Mr. Wright

HJR 15 HOUSE JOINT RESOLUTION NO. 15 (Relating to student housing in rural areas) -- Mr. Degnan

HB 52 HOUSE BILL NO. 52 (\$950,000 to Dept. of Education - Alaska Higher Education Facilities Act) -- Mr. Warwick

HB 160 HOUSE BILL NO. 160 (Appropriating to the Office of the Governor for study of income needs) -- Mr. Ditman

Adjournment: The meeting adjourned at 12:30 p.m.

HOUSE FINANCE COMMITTEE
February 17, 1971
9:10 a. m.

Present: All members.

HB 115 Mr. Hohman called the meeting to order and moved and asked unanimous consent to bring HOUSE BILL NO. 115 (Relating to excise tax credits on alcoholic beverages) before the committee. No objection, so ordered. Mr. Hohman reported the bill would bring in \$700,000 per year in additional taxes and was recommended "do pass" unanimously by the State Affairs Committee. Mr. Hohman moved and asked unanimous consent that HB 115 be passed out of committee and there was no objection. The bill was passed out with a unanimous report of "do pass."

15 Mr. Degnan moved and asked unanimous consent to bring HOUSE JOINT RESOLUTION NO. 15 (Relating to student housing in rural areas) before the committee. No objection, so ordered. Mr. Degnan reported HJR 15 requests the BIA to consider cottage-type homes for students instead of dormitories. The impact on the state would be for the cost of maintenance of these homes when the state takes over the BIA education system in the rural areas, which they are now in the process of doing. Two regional schools are in operation at Beltz and Kodiak. Fairbanks has presented a plan for this type of housing and it would be more expensive than for a regular dormitory, and Mr. Hohman said Sitka has made a decision to go to cottage-type dormitories. Mr. Degnan did not have cost figures for this operation, but assumed it would not vary too much from the present program. Mr. Haugen said this is a complex situation, involving Federal funds, and recommended the bill be

returned to sub-committee. After further discussion, Mr. Hohman moved and asked unanimous consent that HJR 15 be passed out of committee and there was no objection. The bill was passed out with a unanimous report of "no recommendation."

HB 52

Mr. Warwick moved and asked unanimous consent to bring HOUSE BILL NO. 52 (Appropriating to the Department of Education, Alaska Higher Education Facilities Commission, \$950,000) before the committee. No objection, so ordered. Mr. Dorik V. Mechau, Assistant Director of Development, Alaska Methodist University, testified before the committee on the bill as follows: Last session a bill was introduced and modified to provide to students the difference in tuition at public institutions and private. An amendment was made to the Alaska Statutes and Article 11 provided for contractual services between the State of Alaska, Department of Education, and private institutions. However, no appropriation was funded with this bill and AMU and Sheldon Jackson have established a sum of \$950,000 as the amount necessary. Article 11 was divided into two parts; one to provide tuition equalization and the second to pay the institution as administrative costs the sum of \$250 per student. Tuition equalization at AMU would require a payment of \$650 per student, plus the administrative costs of \$250, for a total of \$900 per student. Mr. Mechau said the alternative would cost more if the private institutions went out of business and the students went to public colleges. Mr. Fink asked if the same programs were available at each school and Mr. Mechau said they were; in fact, AMU has requested the University of Alaska to stop duplication of efforts in a letter written shortly after AMU's board meeting, but they have not received an answer. Mr. Fink asked the percentage of

students who are Alaskan residents and Mr. Mechau said 80%. Approximately 400 students would qualify, and Mr. Mechau distributed copies of a breakdown of costs, including the part-time students on a pro-rata basis (see bill file). Answering further questions, Mr. Mechau said AMU did expect to receive these funds based on last year's session. The bill would be retroactive and eligible students would receive a tuition refund based on the differential, either in the form of a check or as a payment on the student's loan. This is a separate program from the grants and loans funded last year in the amount of \$250,000.

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

AFTER RECESS
2:15 p.m.

Present: All members with the exception of Mr. Ditman. Mr. Mechau, AMU.

HB 52 Mr. Hohman called the meeting to order. Mr. Mechau was present for further testimony on HB 52 and Mr. Hohman appointed Mr. Ditman and Mr. Warwick as a sub-committee to investigate the bill further. No further discussion on HB 52 at this time and Mr. Mechau left the meeting.

HJR 15 Mr. Hohman reported HJR 15 was unacceptable to the Rules Committee due to the fact it was passed out of the Finance Committee with a unanimous "no recommendation" and at least one recommendation was necessary. Mr. Hohman and Mr. Degnan changed their votes to "do pass" and the Chief Clerk was notified to return the bill for corrected signatures.

HB 22 Mr. Wright moved and asked unanimous consent to bring HOUSE BILL NO. 22 (Relating to veteran affairs) before the committee. No objection, so ordered. The fiscal note indicates \$79,900 would be required to fund

this program; however, Mr. Wright believes \$65,000 is a more realistic figure. The section regarding business loans (Section 2., (3)) should be deleted, in Mr. Wright's opinion, since past experience and the lack of expertise by the Veteran Affairs department indicates they are not prepared to handle this type of loan. If not deleted, a commercial loan officer must be employed. Discussion continued on the technicalities of amending the bill and the pros and cons of deleting the business loan section or amending it. Mr. Wright added hopefully the Department of Revenue would pick up the paper at a 1/2% lower rate. The state has made a commitment to pick up loans; however, Mr. Daughert of the Department of Revenue had indicated the state would stop picking up VA loans. Mr. Tinsley had testified they were turning down business loans last year due to lack of money, which is no longer valid. Mr. Fink requested Mr. Tinsley be contacted for further information and Messrs. Wright and Warwick were appointed by Mr. Hohman to meet with representatives from the Department of Commerce at 8:00 a.m. for further testimony.

HB 72 Mr. Wright moved and asked unanimous consent to bring HOUSE BILL NO. 72 (Appropriating to the Department of Public Works, Division of Buildings \$100,000) before the committee. No objection, so ordered. Mr. Wright had a letter from Harold D. Strandberg of Public Works stating the \$100,000 appropriation would complete the Public Safety building in the subport; however, Mr. Wright would be reluctant to defend the bill on the floor and recommended Mr. Hohman, as chairman, carry the bill down. Mr. Haugen said the committee could pass the bill from the finance committee with a majority recommendation of "do pass" and ask the

Speaker of the House to place the bill on the calendar as the last item, in order to limit discussion on the floor. The legislature is partly responsible, the department evidently acted to the best of their ability, and the bill must be paid, according to Mr. Haugen. Mr. Wright moved and asked unanimous consent that HB 72 be passed out of committee with individual recommendations. The bill was passed with a majority report of four members voting "do pass" and two members signing "no recommendation."

Adjourned: The meeting adjourned at 3:05 p.m.

HOUSE FINANCE COMMITTEE
February 18, 1971
8:10 a.m.

Present: Messrs. Wright and Warwick. Mrs. Evelyn Sanders, Accountant;
Robert E. Butler, Deputy Commissioner, Department of Commerce.

HB 22 The sub-committee of Messrs. Wright and Warwick was appointed to hear further testimony on HOUSE BILL NO. 22 (Relating to veteran affairs). Mr. Butler reported they make very few business loans now and if they really get into business loans they will need some commercial loan officers. Mr. Wright asked what percent of business loans involve multiple dwellings and Mrs. Sanders answered the major portion is for multiple dwellings. Mr. Butler added there is a tendency to hedge on business loans, so the veterans may take them out as home loans.

Two reports were provided for the finance committee showing the outstanding balances and delinquent loan status, and the loan classification and dollar investment (see bill file). Mr. Wright said the report on delinquency rate of loans should differentiate between commercial loans and home mortgage loans and Mrs. Sanders said the information is received from data processing and in order to separate they would need to re-program. Mrs. Sanders estimated that the greatest share of bad loans has been home loans, and most have been old loans which originated in the early 60's. There have been accelerated efforts by the department to collect, and considerable pressure has been brought to lower the delinquency rate. Mr. Warwick noted that in 1969 there were quite a number of bad loans, and the number went

down in 1970. Mrs. Sanders said some were paid off and some moved into litigation. The percentage figure does not include the ones moved into litigation.

Mr. Butler stated California has a liberal VA program and also gives certain tax exemptions to low income veterans. His suggestion was to limit business loans to businesses operating for three years, since 90% of bad loans are lost on new businesses. Mrs. Sanders added her opinion that Viet Nam veterans should be given preference since they are just starting out.

Mr. Butler objected to the 7% rate in HB 22, since they have been selling loans to the teachers fund and employees fund and always at 7%, since they won't take a lower rate. Discussion continued and Mr. Wright mentioned the Department of Revenue should pick up the paper at a 1/2% lower rate. Mr. Butler said Revenue's policy changes from day to day; they originally stated they would buy loans from state banks and now say they won't do it. The agreement with them could probably stop at any time. Mrs. Sanders asked how this can continue to be a revolving fund and make a profit at 1/2%. Money is needed for the administrative budget. Mr. Wright asked the figure of percent necessary to make a profit, which will be provided. Mr. Butler commented on the administrative expenses for three offices and the personnel and travel necessary for the program.

Recess: The meeting recessed at 8:45 a.m.

AFTER RECESS
9:15 a.m.

Present: All members. Gene Guess.

HB 22 Mr. Hohman called the meeting to order. Mr. Wright moved and asked unanimous consent to bring HOUSE BILL NO. 22 (Relating to veteran affairs) before the committee. No objection, so ordered. Mr. Wright reported he had talked to Mr. Butler of the Commerce Department, who said they have business loans, but most of them are for multiple dwellings. If they go into business loans, they will need commercial loan officers. A proposal offered by Mr. Wright on the business loan section was to limit business loans to businesses with a three-year history; except for Viet Nam veterans who would be eligible for loans after a one year period. Mr. Wright personally feels this section should be deleted, but as an alternative perhaps the three-year business history for veterans would be acceptable. Mr. Fink noted the reports provided by the Department of Commerce do not show the breakdown between delinquent home and business loans, which Mr. Wright said lose their identity in data processing.

Mr. Gene Guess testified on HB 22 as follows: Last year the legislature raised the home loans to \$37,500, but didn't pass the same bill in both houses so the maximum dropped back to \$25,000. The primary reason for the bill was because of the tight money situation. The program itself is particularly good in housing. Mr. Fink agreed and said there was no question on anything other than the business loan section. Business loans are the risk area, and the finance committee wants to have a good reason to delete the section if it is deleted.

Mr. Guess said perhaps the alternative Mr. Wright mentioned is the answer - go into a three-year experience record for business with the exception of Viet Nam veterans.

Mr. Haugen asked how veteran loan officers feel about this section, since the primary reason for the bill was to provide homes. He is inclined to support the bill, but has reservations on the business loan area. Mr. Guess said the department will need a commercial loan officer, of course, if this section is left in. Discussion continued as to whether to pass the bill out of committee with the deletion, or hold it for further information. Mr. Guess said he will talk to service officers for further information and the bill will be brought up again on Monday morning. Mr. Wright moved and asked unanimous consent to return HB 22 to sub-committee. No objection, so ordered.

Recess: The meeting was recessed at 9:30 a.m.

AFTER RECESS
11:15 a.m.

Present: All members. Mr. Bob Thomas and Mr. Dick Engen, Department of Education, were also present.

SB 91 The committee briefly discussed Senate Bill No. 91 (an act appropriating \$250,000 to the Department of Education). Mr. Hohman said that last year the State Libraries had been concerned about the acquisition of historical material. Mr. Engen said this is now Senate Bill No. 91. This is for the purchase of the Lada-Mocarski collection of Russian-Alaska materials, the George Davidson map collection of early Alaska, and other rare library materials. Mr. Engen said that last year this sold for \$216,000 and this year they are asking \$250,000 (although there are a few other items included in the \$250,000). Mr. Engen said there are some prints of early day Sitka, etc. and that these prints are not necessary for the Library but rather belong in the Museum. In answer to Mr. Hohman, Mr. Engen said this is something that would appreciate over the years.

AFTER RECESS
3:25 p.m.

Present: All members. William De'Ak, M.D., Project Director, Yukon-Kuskokwim Health Corporation; Dr. Elizabeth Price, Department of Public Health. Mr. Hohman called the meeting to order and made the following bill assignments:

- HB 1 HOUSE BILL NO. 1 (Creating the Alaska higher education aid program) -- Warwick.
- HB 34 HOUSE BILL NO. 34 (Relating to physician assistants) -- Wright.
- HB 32 HOUSE BILL NO. 32 (Pay increments for state employees) -- Fink.
- SJR 5 am Mr. Hohman moved and asked for unanimous consent to bring SENATE JOINT RESOLUTION NO. 5 am (Relating to settlement of the Alaska Native land claims) before the committee. No objection, so ordered. Mr. Hohman said the questionable part of the resolution is the contribution by the state to the settlement, which has been argued before in the committee. Mr. Hohman moved and asked unanimous consent to pass SJR 5 am out of committee and Mr. Haugen objected since he had not had time to read the amendments. Discussion followed on the amendments offered by the Senate and Mr. Fink noted there was very little difference. Mr. Hohman moved and asked unanimous consent to pass SJR 5 am out of committee with individual recommendations, and the bill was passed with four "do pass," two "do not pass," and one "no recommendation" votes.
- HB 34 Dr. De'AK testified on HOUSE BILL NO. 34 (Relating to physician assistants) as follows: The bill is not capable of achieving what it sets out to do, which is meet the shortage of trained medical personnel by establishing assistants. Assistants already exist in the state

through the Public Health Service and they exist without benefit of legislation. Legislation of assistants into categories, in Dr. De'Ak's opinion, creates paperwork, and does not increase manpower. The present system seems to be working reasonably well for the residents of the state, particularly the native population, and the system is improving with increased training. In the bush, there exists a different kind of system and different kind of educational background. The bill is premature, since there is still a lot to learn in this area. Dental practice is so locked that an assistant cannot be provided in the villages, even though the dental association wishes one could. The dental act is too restrictive.

Mr. Fink asked if the physician's assistants are not in violation of the law and Mr. Hohman read the section from the Alaska statutes which states they must be licensed to practice. Mr. Hohman requested the "Good Samaritan" legislation of three years ago be provided to the finance committee. Dr. De'Ak said it is a moot point of who is violating the law, the physician or the assistant, and HB 34 attempts to make legal what is now illegal. However, it does not accomplish anything else.

Dr. De'Ak explained the community aid program in Bethel, which is essentially a division of the CHAP program to provide more advanced training to aides who function in the bush villages. The concept is an evolutionary one in the state right now, and no one can predict how long they should be in training and how much supervision is necessary. HB 34 would hamper the program by unrealistic demands, and Dr. De'Ak believes the committee substitute makes more sense.

One section of the bill provides the physician should only supervise three assistants; one now is supervising eight. "Remoteness of the area" in the original bill would lead to a definition of what is a "remote area." The advanced program now has eight aides; and working in villages are from 80 to 100 who have received, and will continue to receive, training.

Mr. Fink asked if they have access to drugs and Dr. De'Ak said they have standing orders for drugs. Mr. Hohman asked how long the aides work and the doctor answered it varies; some hardly work at all while others work an 8 - 10 - 12 hour day. The Village Council chooses the aides and experience has shown some aides to be inefficient, either due to the fact that they were relatives or political appointees. The hospital pays about \$350/month to start, which goes up to \$500. The advanced aides start at \$600/month.

The training program was explained by Dr. De'Ak as having four phases. Phase 1 deals with temperature reading, record keeping, and provides illustrated books and pamphlets on diseases. Phase 2 is a three-week training period which provides more background work in learning about diseases. Phase 3 is a two-week program, mainly a refresher course. The Bethel Service Area is ready to go into Phase 4 because of accelerated training, and the curriculum is not even set up yet.

Mr. Wright questioned dental training and Dr. De'Ak said it is illegal to do any dentistry. They are hoping to get a favorable opinion from the attorney general's office to allow some dental work to be done in the bush. The dental association has seen the logic of allowing dental aides, but the law is so strict it can't be done. This is incomprehensible to the Village Councils.

Mr. Fink asked who funds the program and Dr. De'Ak said it is part of the Health Rights Program under OEO and received \$816,000. In summary, Dr. De'Ak said the administrative records and responsibilities required under the original bill could not be handled and more flexibility is necessary in the early stages of the program. The committee substitute is a more realistic bill.

Adjourned: The meeting adjourned at 4:20 p.m.

AFTER RECESS
3:25 p.m.

Present: All members except Messrs. Ditman and Degnan.

Mr. Louis Fiorella, Lobbyist for the Veterans of Foreign Wars, and Mr. Joseph Briones, Lobbyist for the American Legion, were also present.

HB 22 Mr. Wright moved and asked unanimous consent that the committee consider HOUSE BILL NO. 22 (an act relating to veterans affairs).

Mr. Briones appeared before the committee and discussed the proposed committee substitute for House Bill No. 22. Mr. Briones opposed the requirement for three years experience for business loans. He did not feel that \$25,000 for business loans was adequate.

Mr. Wright said the committee was a little reluctant in going into business loans as the Division of Veterans Affairs was not enthusiastic over this. Mr. Wright also noted the Division lacks expertise in this area. Mr. Wright said that Mr. Briones felt they should hire a competent loan official. Mr. Wright said they were reluctant to raise this to \$50,000 without some guidelines.

Mr. Degnan entered the meeting.

Mr. Hohman pointed out to Mr. Briones that the proposed committee substitute does place the ceiling at \$50,000 for business loans.

Mr. Fink said they did "beef up" the veterans loans in that this bill directs the Department of Revenue to buy any

loans offered to them. Mr. Fink said he felt a little queasy in directing the Department of Revenue to buy business loans, since there is not collateral like there is in a home loan. If the department buys it and it goes bad the state pays for it. Mr. Fink was in favor of adding the three-year requirement because this will make certain a person will not be able to go into a business he knows nothing about. Mr. Fink said the committee had discussed knocking out business loans entirely but decided instead to put in three years experience. Mr. Briones discussed the federal program for veterans. Mr. Wright asked if Mr. Briones knew of any instance where a veteran would apply for a business loan without experience. Mr. Briones said he didn't know, but he couldn't imagine an individual starting a new business without some kind of background in it. Mr. Briones explained the procedure of how the application is processed in the director's office, and how a committee reviews a prospective loan before it is approved. Mr. Haugen felt the veterans loans were to help veterans get housing at a favorable rate of interest. He said personally he did not support the business area but he felt the committee conceded on this point by requiring three years experience. Mr. Haugen did feel that the amount for home loans should be raised to \$37,500. Mr. Degnan asked if Mr. Briones felt there was a need for business loans and Mr. Briones said there is a legitimate need. However, he added he would like to see a complete report from Veterans Affairs on number of business loans and how many of these have "gone bad".

Mr. Fink asked if the federal veterans program goes as high as \$37,500 and Mr. Briones said no they go to \$25,000.

In answer to Mr. Fink, Mr. Briones said Alaska was the first to increase the loans to include multi-dwellings. Mr. Briones said the bill does not exclude mobile homes. Mr. Wright pointed out that the language in the bill is such that the interest could be dropped down to 6 1/2 or 6 per cent.

Mr. Lou Fiorella said that he represented the Veterans of Foreign Wars in the State of Alaska. He said this council had just met and they had come up with a platform they would like the legislature to take action on. They would like the home and business loans to be raised from \$25,000 to \$37,500 and they also request the maximum interest rate remain at 8 per cent but the actual rate charged would be commensurate with the FHA and federal VA loans. Mr. Fiorella said his personal opinion on the business loans is that he agrees with the three year experience requirement. He pointed out that banks would not make a loan to an individual with no experience. In answer to Mr. Haugen, Mr. Fiorella said he felt this three year requirement was a good sound business practice.

Mr. Wright moved and asked unanimous consent that Finance Committee Substitute for House Bill No. 22 be passed out of committee with a unanimous do pass recommendation.

Mr. Warwick asked if there had been some additional changes. Mr. Wright said they had attempted to include veterans who had served in Vietnam. He added they were trying to get out of the problem of running out of money.

HB 171

The committee briefly discussed HOUSE BILL NO. 171 (an act relating to veteran's loans). Mr. Hohman pointed out this is the Governor's bill and is on the same subject.

CSHB 22

There was so objection to Mr. Wright's motion so Committee Substitute for House Bill No. 22 was passed out of committee with unanimous do pass. See 92(a) for committee report.

Bill Assignment:

Mr. Hohman assigned the following bills:

- | | | | |
|--------|--------------------|--|-----------------|
| HB 198 | HOUSE BILL NO. 198 | Relating to membership of the Alaska State Housing Authority | -- Degnan |
| HB 159 | HOUSE BILL NO. 159 | Extending employment security coverage to state employees | -- Warwick |
| HB 170 | HOUSE BILL NO. 170 | Appropriating to the reapportionment board | -- Hohman |
| HB 141 | HOUSE BILL NO. 141 | Relating to base instructional unit allotment | -- Wright |
| HB 171 | HOUSE BILL NO. 171 | Relating to veterans loans | -- not assigned |

Mr. Hohman announced that the review of the budget for the Department of Highways would be at 10:00 a.m. on Saturday.

- HB 66 Mr. Degnan moved and asked unanimous consent that the committee consider HOUSE BILL NO. 66 (appropriating \$200,000 to the Dept. of Education, Vocational Rehabilitation). Mr. Degnan said if the committee wanted the department to provide services for their clients this is the supplemental they will need. Mr. Fink questioned whether the Governor would come down with any revised supplementals.

HOUSE JOURNAL

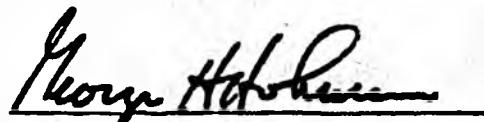
HOUSE FINANCE COMMITTEE REPORT

ON

COMMITTEE SUBSTITUTE HOUSE BILL NO. 22

The committee on finance has had House Bill 22 under consideration. A majority of the members of the committee have recommended that it be replaced with CS for House Bill 22 and that the CS for HB 22 do pass. However, the committee wishes to make a brief analysis of the bill part of the record.

1. The maximum interest rate chargeable on state V.A. loans is reduced from 8% to 7%.
2. The maximum loan is increased from \$25,000 to \$37,500 on farm and home loans, from \$25,000 to \$50,000 on business loans - business loans are restricted to those businesses with three or more years operating history, a new provision allows loans to a maximum of \$55,000 for multiple dwellings, and the total value of loans authorized in combination is raised from \$25,000 to \$55,000.
3. A self-financing provision is added that requires the Department of Revenue to purchase all V.A. loans offered, allowing a 1/2 of 1% service fee for administration.
4. In addition to veterans of the first and second world wars, veterans of the Korean conflict, the cold war, and the Indochina war are made eligible under the veterans' loan program.
5. Residency requirements are changed to the extent that residents of ten or more years duration are eligible for program benefits; under existing law veterans had to be ten year residents with the period of residency beginning immediately following their release from military service.



George Hohman, Chairman
House Finance Committee

Mr. Degnan did not know. He explained the program of the Division of Vocational Rehabilitation. He said they had cut back in certain areas but they needed this \$200,000. Mr. Warwick asked if all the questions that the committee had asked in previous testimony had been answered. The committee discussed this. Mr. Hohman asked Mr. Hogan to check on this and the bill was returned to subcommittee.

HB 228 Mr. Hohman moved and asked unanimous consent that the committee consider a bill that was to be introduced by the Finance Committee. This bill appropriates to the Department of Public Works, Division of Aviation. It appropriates from the "1970 Airport Construction Fund" \$10,000,000, \$5,072,000 is to be expended giving priority to projects listed in the bill. Mr. Hohman explained this is a result of the intent of the free conference committee last session. Mr. Fink questioned what the amount of the bond was and Mr. Hohman said \$10,000,000. Mr. Fink said that the Governor had introduced a bill that would fund all of the bond issues (HB 219, Sec. 7). Mr. Hohman said this bill is the intent of the legislature and it had been established last year. He read from the journal which showed this intent. Mr. Warwick asked where priorities listed in the bill came from and Mr. Hohman said this was from the free conference report. Mr. Fink said he would like to look at the Governor's bill first. Mr. Hohman said he

thought the intent had already been established.

Mr. Warwick said he would also like to see the Governor's bill. Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 228 be introduced as a Finance Committee sponsored bill without a committee report and that this bill would be returned to Finance. No objection, so ordered.

Adjournment: The meeting adjourned at 4:40 p.m.

AFTER RECESS

3:25 p.m.

Present: All members except Mr. Wright. Dr. Hartman, Commissioner of the Department of Education; Representative Swanson and Mr. Dick Leath, Superintendent of Schools at Nenana, were also present.

HB 179 Chairman Hohman called the meeting to order and announced Representative Swanson was present to give testimony on HOUSE BILL NO. 179 (appropriating \$850,000 to the Department of Education for the addition of a multipurpose facility to the Nenana High School). Mr. Swanson said that every small community finds itself in the position they are in where they are unable to pay for the things they need for their youngsters. He explained that in 1964 he had purchased the school bus in Nenana and this is how he became familiar with the problems they have in the school. The children do not have a gym, they have no place to play basketball, no place for shop or home economics.

Mr. Leath distributed information concerning the Nenana Public Schools (see pages 99-103).

Mr. Leath said they have had a 75 per cent increase in enrollment over the past five years. This has brought them to a critical position as far as facilities are concerned. He said they have 26 students from outlying villages who attend the Nenana school. Mr. Leath said they are in dire need of a new facility -- they have no vocational facilities. This is needed as very few of the high school students go on to college.

Mr. Leath said they are not providing types of vocational programs for these students that will give them suitable skills. He said they have a fine vocational reeducation program and a fine foundation program but they do not have the facility they need. He said if you have all the funds but no where to have the program then you are still at "point zero". Mr. Leath said they are hoping the legislature can help them. They are bonded for \$300,000 in Nenana and Mr. Leath said there is no way they can bond any further. They are extremely crowded in every classroom all day long. Nenana has \$71,000 that they have put up toward construction Mr. Leath added. The city is contributing an amount equal to 9 mills -- however, there is no mandatory millage. Mr. Leath said they are projecting another increase in enrollment next year. Mr. Leath said that last year the legislature granted some small school districts sums of money to build but unfortunately Nenana did not receive any grants. Mr. Leath said they hoped that they would be taken care of this year.

Mr. Ditman asked if they were talking about \$850,000 plus the \$70,000 the city had -- this would be a total of \$920,000. Mr. Leath said this is right.

Dr. Hartman said that last year the legislature did provide money to several districts. He said they did recommend that Nenana also receive money last year but they were left out.

He said the committee should keep in mind that many of the students live outside of the city and the city should not have to pay the total amount of construction funds. He said about 50 per cent of the high school students come from outside of the city limits. Mr. Leath added that out of 240 students 164 students are transported in from out of the district. Dr. Hartman said that they could transport seventh and eighth grade students but it was unrealistic to try and transport elementary students. Mr. Warwick asked if they foresee an increase when the road opens and Mr. Leath said they can only assume they will continue to increase. Mr. Warwick asked if the population of Nenana has increased and Mr. Swanson said it is about the same as the census of 10 years ago. Mr. Ditman asked if they were eligible for P.L. 874 and P.L. 875 money. Mr. Leath said yes -- P.L. 874 amounts to \$12,000 or \$13,000 but this is only paid for students living within the city. The State is paid P.L. 874 funds for the students living outside of the city limits. Mr. Fink asked what their budget is and Mr. Leath said \$481,000. In answer to Mr. Fink, Mr. Swanson said that Nenana has been a first class city since 1921.

Mr. Fink asked how many other school districts were in this same situation and Dr. Hartman said Nome is also in a bad position. He felt if these two districts were taken out of the woods this would take care of the district schools. He added that Craig and Klawock might be a third possibility.

Dr. Hartman said he was not talking about State Operated Schools.

Mr. Fink asked how much was needed for Nome. Mr. Degnan said Nome definitely needs an elementary school.

Dr. Hartman said they need 18 classrooms and this is probably about \$60,000 a classroom for a total of \$1,080,000.

Dr. Hartman said that \$1,080,000 would probably be low and that \$1,500,000 would be a more realistic figure.

Mr. Fink questioned whether the Department of Education had what they considered an adequate payment for districts to contribute and Dr. Hartman said no. The amount of millage and sales tax in Nenana was discussed.

Mr. Fink asked who operates the boarding home in Nenana and Mr. Swanson said this is privately owned. Mr. Fink asked who pays for the board and Mr. Leath answered the state. Mr. Degnan asked Mr. Leath if this is the only facility they need at this time and Mr. Leath answered yes. Mr. Leath said there is no problem with the existing facility as it is new.

Recess: The meeting recessed at 4:00 p.m.

HB 179 -

NENANA PUBLIC SCHOOLS

Office of the Superintendent
P.O. BOX 127
NENANA, ALASKA 99760

JUSTIFICATION

for NENANA MULTI-PURPOSE ROOM AND VOC. ED. FACILITY

The Nenana City School District has the basic facilities with which to put forth a minimum educational program for grades one through twelve. The Nenana District, however, has a critical need for a multi-purpose room (gym) and a vocational education facility for shop and home economics.

This need has become critical during the past five school terms which has seen the enrollment in the Nenana Public Schools increase 31% from 134 students in September of 1966 to the present enrollment of 240 students at the end of the first quarter of the 1970-71 school term. This increase in student population has been primarily in high school where student enrollment has increased 75% from 64 students in September of 1966 to 112 in October of 1970.

Enrollment by Classes

1966	1	2	3	4	5	6	7	8	9	10	11	12
1st Quarter	14	13	13	17	18	14	21	10	29	18	7	10
1970	1	2	3	4	5	6	7	8	9	10	11	12
1st Quarter	17	12	12	16	13	15	19	19	31	32	28	20
Special Education 1970 - 8												

This increased enrollment in grades 9-12 has produced an acute need for physical education facilities, adequate seating space for assemblies and all other programs which require large seating capacity.

The lack of a vocational education facility for a school program that only sends a small percentage of its graduates each year to college and that has produced only two(2) four year graduates in the past ten (10) years indicates that the needs of a large segment of our school population are not being met. Our students are primarily headed for the labor market upon termination of their high school program and we are not providing them with a program that will allow them to acquire saleable skills.

The local school district is not unaware of these inadequacies, but rather because of its extremely low index of ability to pay has been unable to provide the necessary physical facilities which are needed to provide a more comprehensive educational program.

In order to insure a basic education program the local district has bonded itself for \$300,000.00 for part of its present physical plant. This amount is considerably above the recommended 10% of its local tax base which shows a current valuation of \$1,935,075.00 for both real and personal property. This bond will be retired in 1998. The City of Nenana pays an amount of \$18,500.00 annually toward this retirement. This money is derived from a local city sales tax of 2% and the

Re:
Justification for Nenana Multi-Purpose Room and Voc. Ed. Facility

local school districts' share of the State Cigarette and Tobacco Tax.

The City has no district school tax but is contributing an amount of money to the school operational budget that is equal to a tax levy of 9 mills on our present evaluation.

The City of Nenana's Public Schools serve as the area high school for all of those high school students who reside south of the North Star Borough line on the Alaska Highway Number 3 to the Rex Bridge some 30 miles South of Nenana. This area also includes the village of Anderson which adjoins the Clear BMEWS Military Site.

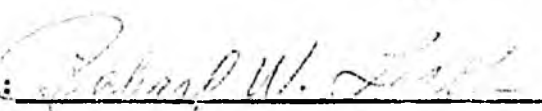
The Nenana Public Schools has a very large number of out of district tuition students which number 137 out of a total of 240 students. This number of out of district students brings into the district approximately \$50,000.00 from the State which is counted as local effort in lieu of taxes. This money goes into the operational budget of the school and is not for construction.

The present school physical education program for grades one through twelve is being conducted in the local City Civic Center which is five blocks away from our school plant. This is a long distance for our students to walk in the extreme weather conditions that we have in Nenana during the winter. This facility does not have adequate locker rooms and showers for the students to use before and after class. This is also the only facility available to us which is large enough to allow our complete high school to have an assembly. Even then this necessitates the moving of 112 students for 5 blocks to accomplish this. This facility also is unavailable to us during the months of April and May due to City functions which demand its use. The school athletic program is severely handicapped by not having a gymnasium which is a regulation facility. This not only handicaps our own teams, but those of visiting schools, as well. We, in Nenana, have a hard time convincing other teams to come to Nenana to play because of our lack of facilities.

The local school board feels that we are entirely justified in requesting State help in acquiring these facilities. The 1970 Legislature made some direct grants to small school districts such as we have in Nenana, but unfortunately, Nenana was not considered high enough on the priority list for such aid, but we were led to believe by the Legislature, through the State Department of Education, that Nenana along with one or two other small districts would be helped in a similar manner this year. We certainly feel that we have made an outstanding contribution on the local level for a number of years now and that if anyone is given consideration Nenana should be in that group.

The City of Nenana is in the process of planning for the construction of 3 classrooms at the Gemini school, which presently houses grades 1 and 2. This will allow us to begin a kindergarten next year and have grades K-4 together as an instructional unit. In moving grades 3 and 4 out of the main school building we will have more space for the high school program. The City feels that this building program is within their capability to fund.

This report is respectfully submitted by School Superintendent, Richard W. Leath.

Signed: 

Richard W. Leath

Attachment

Nenana Public Schools Justification for Nenana Multi-Purpose Room and
Voc. Ed. Facility

Number of Students:	1	2	3	4	5	6	7	8	Sp.Ed.	9	10	11	12
1966-Sept.	14	13	13	17	18	14	21	10	0	29	18	7	10
1970-Oct.	17	12	12	16	13	15	19	19	8	31	32	28	20

Current Index of Ability to pay by scale used in State Foundation Formula 97.9691

Current Bonded Indebtedness \$290,000.00

Retirement Date 1998

Local City Sales Tax For Schools 2%

Current Real and Personal Property Evaluation \$1,955,075.00

City Contribution to School Operational Budget is equal to
on above Evaluation 9 mills

Projected Enrollment for 1971-72 School Year 283

Total School Enrollment Increase From 1966-1970 is: 51%

High School Enrollment Increase from 1966-1970 is: 75%

Estimated Construction Cost For Gym-Shop and Home Economics Facility
18,000 Sq. Ft. is \$350,000.00

Testing-Design-Inspection and Supervisory Cost is:
70,000.00

This is Based on 1971 Construction Costs.

NENANA

Mailing Address: P. O. Box 177, Nenana, Alaska 99760

Business Phone: 832-5441

Classification: 1st Class City

Form of Government: Mayor-Council

Date of Incorporation: November 17, 1921

Population: 550

Date of Annual Elections: 2nd Tuesday in October

Day of Regular Council Meetings: 2nd Tuesday each month

Fiscal Year Begins: October 1

Fringe Benefits for Employees: Social Security, Workmen's Compensation

1970 Property Evaluations: Real \$950,000; Personal \$806,000

1970 Tax Rate: Real Property: 10 mills; Personal Property 10 mills Sales 2%

Date of last property evaluation: December 1969

Municipally-owned utilities and other revenue producing facilities: Airport

Growth through annexation last fiscal year: 100

Bonded indebtedness at end of last fiscal year: General Obligation Bonds: \$290,000

Amount paid on bonded indebtedness last fiscal year: G.O. \$5,000 Principal,

Interest \$27,350

Estimated expenditures for capital improvements next fiscal year: \$79,000

Major Annual Revenue for last fiscal year:

Property Taxes	\$16,326
Sales Tax	15,367
State Shared Taxes	10,000
Licenses & Permits	5,020
Utility Contributions	1,825
Sale of Property or Material	1,525
Aviation Fuel Tax	297

Municipal Officials: Term of Office: Mayor 2 years; Councilmen 1, 2, 3, years

Officials now serving: Mayor, John B. Coghill; Council, Howard E. Holbert

Milton Jauhola, Jay Moore, Dean Sawyer, Ray Brown, Norman Suckling

Administrative Officers: Manager, John B. Coghill; Attorney, David Call;

Clerk-Treasurer, Ann Johnson, Public Works Director, Milton Jauhola;

Police-Fire Chief, Jay Moore; Assessor, Council; Health Officer, Howard

Hoblert; Finance Director, Norman Suckling; Airport Manager, Milton Jauhola;

Ray Brown (special) Dean Sawyer (Education & Recreation)

HOUSE FINANCE COMMITTEE
March 5, 1971
2:15 p.m.

Present: All members with the exception of Mr. Wright, Rep. Willard Bowman.

HB 62 Mr. Hohman called the meeting to order and Mr. Fink moved and asked unanimous consent to bring HOUSE BILL NO. 62 (Appropriating to the Bond Committee, \$3,335,000) before the committee. No objection, so ordered. Mr. Fink explained that the bill is a bond bill, but two items should be deleted. The purpose of the bill is for unfunded costs of debt service on general obligation bonds, since the projection last year was too low. An item of \$180,000 may be deleted since it is not actually a portion of the debt service, and Budget & Management has agreed to the deletion. An item of \$265,255 may also be deleted, since this is actually rental payments on behalf of the Department of Highways (\$249,700) and the Department of Fish & Game (\$15,500). Mr. Fink recommended drafting a committee substitute with the deletions, since the rental charges should be paid by the departments, and Mr. Warwick reviewed the figures with Mr. Fink. Mr. Fink moved and asked unanimous consent to return the bill to sub-committee for drafting of a committee substitute. No objection, so ordered.

HB 198 Mr. Degnan moved and asked unanimous consent to bring HOUSE BILL NO. 198 (Relating to the membership of the Alaska State Housing Authority) before the committee. No objection, so ordered. Representative Willard Bowman was present to testify on HB 198 as follows:

One criticism of ASHA has been quite often appointments to boards and commissions are based on politics, and because of this there is a tendency to appoint because of political favor. This often results in no one on the board having a direct interest in the board and not acting effectively. Two new members should be appointed from the low income level, since they would represent the people who are the main users of the type of housing ASHA provides. They would give feedback to the board and would quell problems such as represented by the Bethel housing project. Mr. Bowman concluded that too often the little man has no input on decisions made in his behalf. Discussion followed on whether the intent of the bill is clear, and Mr. Bowman said perhaps it should spell out that the new board members must live in ASHA houses. Mr. Haugen asked if the problem in Bethel isn't construction, and shouldn't the individuals have experience in building construction. Mr. Bowman replied Bethel was a Turn Key III project, federally funded, and ASHA was the responsible agency. The project turned out quite badly but it can be rectified, and Mr. Bowman repeated the new board members could bring some competency to the board after living in the housing. There was no more discussion on the general concept and Mr. Hohman questioned the fiscal note. Mr. Bowman left the meeting. Mr. Fink asked if a new fiscal note should be requested and Mr. Hohman said this could be recalculated by the Finance Committee. Mr. Hogan said it has been alleged that ASHA continues the development stage beyond the time necessary in order to fund themselves, since the money to administer comes from ASHA receipts, similar to a revolving fund. There was a question about the prior testimony on this problem and Mr. Hohman read Paul Dixon's statement from the minutes of the previous meeting. Mr. Fink continued figuring the actual cost of the

fiscal note and said theoretically the money doesn't come from the state but from the federal government. Discussion continued on the cost of adding two new members to the board and Mr. Hohman estimated it would run close to \$8,000. There did not seem to be any disagreement behind the idea of the bill, however, and Mr. Degnan moved and asked unanimous consent that HB 198 be passed from the finance committee with a "do pass" recommendation. No objection, so ordered.

Mr. Hohman made the following bill assignments:

- HCR 11 HOUSE CONCURRENT RESOLUTION NO. 11 - Relating to a Knik Arm Crossing - Degnan
- HB 8 HOUSE BILL NO. 8 - Establishing a plant materials center in the Matanuska Valley - Hohman
- HB 118 HOUSE BILL NO. 118 - Appropriating to the Alaska Constitutional Convention Commission - Hohman
- HB 128 HOUSE BILL NO. 128 - Relating to the duties of the legislative auditor - Fink
- HB 144 HOUSE BILL NO. 144 - Relating to identification cards - Wright
- HB 165 HOUSE BILL NO. 165 - Relating to teacher salaries - Hohman
- HB 173 HOUSE BILL NO. 173 - Relating to teachers retirement benefits for handicapped survivors - Hohman
- HB 179 HOUSE BILL NO. 179 - Appropriating to the Department of Education - Degnan
- HB 199 HOUSE BILL NO. 199 - Appropriating to the Department of Public Safety - Haugen
- HB 226 HOUSE BILL NO. 226 - Appropriating to the Alaska court system - Warwick

235 HOUSE BILL NO. 235 - Relating to registration plates - Haugen
HB 218 HOUSE BILL NO. 218 - Lapsing certain appropriations made for
capital projects - Ditman

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

HOUSE FINANCE COMMITTEE

March 6, 1971

10:10 a.m.

Present: All members with the exception of Messrs. Warwick and Wright.
Bruce Campbell, Commissioner; Charles S. Matlock, State Highway Engineer; Thomas A. Johnson, Administrative Director, Department of Highways.

HB 62 Mr. Haugen called the meeting to order and Mr. Fink questioned the request in HOUSE BILL NO. 62 (Appropriating to the Bond Committee, \$3,335,000) for \$249,700 to pay rental incurred by the Department of Highways through ASHA. Mr. Johnson said the Department of Administration takes care of the inter-agency transfer of funds, and he was not aware of this particular problem. Mr. Johnson concluded the Department of Highways makes all rental payments to the Department of Administration by inter-agency receipts, and has been doing this since the ASHA program started.

Recess: The meeting recessed at 10:15 a.m.

HOUSE FINANCE COMMITTEE MEETING

March 8, 1971

8:40 a.m.

Present: All members except Messrs. Ditman, Wright and Haugen.

CSHB 62 Chairman Hohman called the meeting to order. Mr. Fink

moved and asked unanimous consent that the committee consider

HOUSE BILL NO. 62 (appropriating to the Bond Committee,

\$3,335,000). No objection, so ordered. Mr. Fink noted

that a committee substitute had been prepared as directed

by the committee. Mr. Fink moved and asked unanimous

consent that Finance Committee Substitute for House Bill No.

62 be adopted in lieu of House Bill No. 62 and that it be

passed out of committee with a do pass recommendation.

No objection, so ordered.

The committee continued with a review of the Budget for the

Department of Health and Welfare (see Budget minutes).

AFTER RECESS

3:45 p.m.

Present: All members present except Messrs. Ditman and Haugen. Present from the Court System were Mr. Robert Reeves, Administrative Director of the Courts, John Abbott, Deputy Administrator, and George Morrison, Comptroller.

HB 226 The meeting was called to order and Mr. Hohman announced that the committee would consider HOUSE BILL NO. 226 (appropriating \$1,804,918 to the Alaska Court system for estimated unfunded operating costs, for the fiscal year ending June 30, 1971). Mr. Reeves presented the committee with copies of an amended version of the original request which brought it down from \$1,804,918 to \$747,420.

He said this decrease was attributed to two things: 1) the assurance by the Judicial Council that something would be done about the cost of juries; and 2) the Governor's recent budget decreases. In his preliminary remarks, Mr. Reeves wanted the committee to know there was a whole new "team" in the Court System, consisting of himself, Mr. Abbott and Mr. Morrison. He outlined, briefly, the backgrounds of the men in the administrator's office, and elaborated further by saying that for this fiscal year (1970-71) they were working with a budget inherited from the prior administration. He said they had encountered certain items that he thought the committee should be aware of and over which the court system had no control. HOUSE CONCURRENT RESOLUTION NO. 1 was passed by the Legislature which requested the Court to change Rule 17(a) and increase the

jury fees from \$10 to \$21 per day. He said the Supreme Court took this as legislative mandate and raised the fee to \$21. In addition the Sixth Legislature passed legislation creating five new superior courts: Sitka, Kenai, Kodiak and two in Anchorage. The full impact of these courts has not yet been felt; he thought it would take about two years for them to be fully operative. He used the Sitka court as an example and noted that this judge spends about 90% of his time trying cases in Juneau; however, he felt within a year or two this would change because now that Sitka has a judge they will probably acquire more lawyers and be apt to try more cases there. He said the situation was similar to when Ketchikan first had a superior court judge. When people become adjusted to having their own judge, then the court will begin to function fulltime in Sitka as it did in Ketchikan. He listed the following three major causes for the request of the supplemental:

- 1) cost of juries;
 - 2) creation of five new superior court judges (which includes new court room, law clerks, secretarial staff, equipment, etc.); and
 - 3) the number of cases that are filed and the number of cases going to trial have increased about 100 a month.
- Mr. Reeves said there are several underlying reasons for the cost of juries going up and not just the fee factor. He said they are presently using funds from other sources to keep the courts operable. He cited the caseload problem in the Third

Judicial District and referred to the letter to him from James M. Fitzgerald, presiding judge, which states that the percentage of increase from 1968 to 1970 in criminal cases has increased by 92.3%. Mr. Reeves said that in the past about 10 percent of the criminal cases used to go to trial but that has reversed and about 90 percent call for a jury trial. He said the OEO legal services, public defender, VISTA, etc., are the major reasons why this is happening. They are more concerned with the rights of the individual and they are very zealous groups. The trials are not necessarily always finished but when a jury panel is called, that means they must be paid for that day. He referred to the case of Baker vs. Fairbanks which ruled that anyone charged with a violation of a city ordinance in which they could be incarcerated or severe punishment such as suspending a driver's license was entitled to a jury trial. Mr. Reeves said they now have housewives, guilty of going five miles over the speed limit, trying their own cases before a jury in the district court. He did not disagree with the rights of these people, he merely wanted the committee to be aware of why they needed such a large supplemental for jury fees. He said the initial figure was calculated on a statistical basis, based on the number of cases, etc., and he felt the cost of juries in Alaska was running into an astronomical amount.

Last week, according to Mr. Reeves, the Judicial Council met with the House and Senate Judiciary and Finance Committees, and the Governor, and this question on juries was discussed.

He didn't feel that anyone, including legislators, was really aware, until that time, of the impact of raising the fees, or were they aware of the increased number of jury cases. He said the Judicial Council recommended to the Supreme Court that they take some action to reduce this cost and suggested several methods, e.g., eliminating jail time on municipal ordinance infractions, thereby erasing the possibility of jury trials. When the Judicial Council promised the Court System that they would reduce the cost, he and the other people in his office reviewed the supplemental, and the revised budget request for HOUSE BILL NO. 226 was decreased accordingly.

Mr. Reeves reminded the committee that any change made by the Supreme Court usually takes about three months to implement and therefore any action they do take will effect the next fiscal year more than the present one. Presently, according to Mr. Reeves, juries are on call for 120 days and one of the plans is to reduce this to 30 days. This is one reason why it would be difficult to implement any changes immediately such as reducing fees from \$21 to \$15, paying jurors for half a day when they are there less than a full day, etc. Mr. Reeves discussed the double shifting that is going on in Anchorage courtrooms right now. He said they have one court working from 8 a.m. until 1 p.m., and the second court works from 1 p.m. until 6 p.m., thereby cleaning up the backlog of cases but costing double the amount each day in jurors. With an extra judge in Fairbanks they could do the same there

now too so in no case is there much hope that jury fees will be doing anything but increasing. He emphasized that the bulk of this supplemental is for jury fees, or \$470,757 of the \$747,420.

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Mr. Reeves then started with the other requests and referred to the need for five guards, all in Anchorage. He stated that they had never had armed bailiffs, but several incidents of violence had happened recently in Anchorage that made the court realize that these judges needed some kind of protection. He referred to the case where a person had walked into the courtroom with a sawed off shotgun. Fortunately the judge saw him, left the courtroom, and called a state trooper. Since the incident in San Raphael, California, where a judge was killed the court has been seriously considering what to do and this request for guards in HB 226 would alleviate the situation in Anchorage. In Fairbanks where they have suffered numerous robberies in the court house, they have contracted with Loomis, after recommendations from the FBI and state police. Mr. Warwick wondered why they weren't asking for guards in the Fairbanks office and Mr. Reeves explained that as yet they have had no problems with violence, only the robberies and they felt that with tighter security measures after hours, they could get by for now with contract services of Loomis.

Mr. Wright wanted to know why it was going to cost three times as much for jury fees for the second half of the year and Mr. Reeves said that they have had a 100 percent increase in jury

costs from August to February. Mr. Abbott pointed out that the impact of the Baker vs. Fairbanks decision was not actually felt until October even though the decision was received in June. He said attorneys have been using this as a bargaining technique and it wasn't until the latter part of the year that they could meet these requests for trials and he felt there would be many many more trial requests between now and the end of the fiscal year.

Mr. Reeves emphasized to the committee that the figure for jury fees was strictly an estimate because there was no way to judge what will be happening in the 16 superior courts. He said the calendars are becoming heavier and heavier.

Mr. Abbott discussed various methods that they are considering to lower the amount spent on juries. He said one problem has been calling of a panel, only to have the case postponed or dismissed and they are hoping that they will be able to work out a system whereby these jurors can then be used in district court. He said they are devising every method to cut back on these costs and this is only one suggestion.

Mr. Reeves said they are trying to set up a good fiscal system and they are installing a modern accounting procedure for the Court System; however, it will take some time to bring everything into line.

Mr. Reeves was asked if he was in favor of six-man juries and he said personally he was but most attorneys who practice criminal law are not, so he imagined it would be a difficult rule to get through.

Discussion ensued on trying to get the person that delayed a trial to pay court costs and Mr. Reeves reminded the committee of the disaster the former Chief Justice (Buell Nesbitt) encountered when he attempted to have the party that lost a case (civil) pick up the court costs. He said, however, that in federal court, this is a normal practice, but has not been successful in the state courts.

Mr. Reeves reviewed again for the committee the ideas now being considered to reduce jury fees and mentioned the \$21 being reduced to \$15; paying \$7.50 in the case of a half-day or less of duty; cutting the length of jury service from 120 to 30 days; and they are contemplating having jurors sign an affidavit stating they are not receiving compensation from any other source while serving on jury duty.

Mr. Fink asked about court appointed attorneys versus the Public Defender and Mr. Reeves said in his own experience as an attorney, that most court appointed attorneys are not reimbursed at a very good rate and therefore do not always expend the effort needed to defend an individual charged with a crime. Mr. Fink didn't feel the population increase was keeping up with the fast pace of growth in the court system. Mr. Abbott didn't feel the cost of running a court system was necessarily reflected in the size of the population but he also pointed out that this should level out. He didn't feel there was a one-to-one relationship between the number of people the court is serving and the cost of operation. Mr. Reeves added that even though the population isn't

growing very fast, crime is on the upswing, plus the factor he pointed out earlier of originally having 10 percent of criminal cases going to trial, and now they have 90 percent. Even though the population is not going up, the price of justice is.

Mr. Fink wanted to know if the Governor's recent decision to cut back on executive budgets had any effect on their thinking. Mr. Reeves said that was the reason they re-evaluated the supplemental and came up with a new figure. Mr. Fink wanted to know if they had done likewise with the budget and Mr. Reeves assured him they had, and they would have the new breakdown before the committee the next day.

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Mr. Fink questioned the travel request and Mr. Reeves said that came about, for the most part, due to the removal of the 8 percent federal tax exemption and the 6 percent increase in airline fares. Another area has to do with the high rate of turnover recently in the magistrate courts, thus encountering the problem of training the new magistrates plus auditing the outgoing magistrate. Mr. Reeves noted the fact that the Supreme Court had decided to hold court in various locations such as Nome, Ketchikan, Juneau, etc., and this kind of travel was not provided for in the budget.

Mr. Fink remarked that he was aware of the crowded court building but wondered why they wanted to remodel when they were planning on building a new courthouse. Mr. Reeves told him that with the five new superior court judges, they had to provide courtrooms. Mr. Fink said that Public Works had

indicated they were ready to go ahead on the building but that the Judicial Council wasn't ready because they wanted a bigger building. Mr. Reeves said it was a very complicated agreement and he had met with the architect who indicated he could build a very limited building with \$3.78 million out of the ASHA funds. The judges in Anchorage said they have lived with this all of these years and would prefer to wait and get a building large enough to meet their needs ten years from now rather than settle for something that wouldn't even be big enough the day they moved in. The Judicial Council then took the same position.

Mr. Abbott felt they would have to go ahead with this remodeling regardless of when the building is built because the space is needed right now and they can't wait. Mr. Reeves said the remodeling would conform with district court needs so that they could have all of the space when the superior court moved to the new building. He said the court had not indicated they were coming in immediately for another \$3 to \$4 million, they would just wait until plans were made for a bigger building. He said they had discussed with the architect the possibility of starting with two floors, then adding a floor as they could afford it, but the Judicial Council did not feel this was wise or practical.

Reverting to the subject of the guards, Mr. Wright wanted to know if they had hired them and Mr. Reeves replied they had not, and would not until they had the money.

Mr. Degnan wanted to know why they were having a turnover

of magistrates. Mr. Reeves said they are not paid well, aside from the fact it is a miserable job. They are on call 24-hours a day being lambasted with community problems and he felt it was a thankless job. They may make as little as \$1,400 a year and receive no state benefits, i.e., health insurance, retirement, sick or annual leave, etc.

Mr. Hohman asked about the magistrates' conference at the University of Alaska and Mr. Reeves said it is a training program that has been conducted there for several years.

It has been funded in the past with federal funds -- Title I -- but this year the University has plans to spend it elsewhere. Mr. Reeves is negotiating to get at least \$3,000 of it paid for by Title I funds for this year but they have not yet been advised of the decision by the University so they felt they had to put in for the full \$10,000. If they get any federal funds, the \$3,000 will lapse.

Mr. Wright asked how the court would manage if the Legislature cut the budget by 10 percent and Mr. Reeves told him they would have to restrict much of the activity of the court; however, that would not be the case in jury fees since to stop jury trials, he feels, would affect everyone adversely in one way or another. He could not predict what areas the cuts would be made in as that would be the decision of the Chief Justice to decide where it would be the least critical.

Mr. Morrison said as far as the supplemental goes, he could

not see too much cutback in it, since contractual services (jury fees) had already been overspent and in commodities, it would just be supplies such as pencils and forms which would not amount to much. Personal services would be the only area of decrease and that of course would only increase the backlog of cases. "Justice delayed is justice denied." Mr. Wright said if they could not show him on a graph exactly what they need, they would just have to "take their lumps." Mr. Reeves said he realized that last year was the year of plenty and this one is the year of austerity, but he pleaded that the committee "not cut off his arm and then only trim Health and Welfare's fingernails." He said he realized they would have to "take their lumps" but they are charged with certain duties according to the constitution of the State of Alaska, so he hoped they could agree on a reasonable figure.

Mr. Hohman requested a list of the vacant positions in the Court system, with PCN number, number of months vacant and the pay range. Mr. Reeves said they had done this for the Division of Personnel but would furnish the committee with a copy.

There being no further questions, the committee adjourned at 5:30 p.m.

HOUSE FINANCE COMMITTEE

March 10, 1971

8:00 a.m.

Present: All members except Mr. Ditman. Present from Department of Health and Welfare were Messrs. McGinnis, Lang, Iverson, Pagenkopf, Harris, James McLean, James F. McClain, and Freedman. Present from Budget and Management were Messrs. Freer and Charney.

HOUSE
BILL
NO. 61

Mr. Hohman called the meeting to order and announced that HOUSE BILL NO. 61 (Health and Welfare supplemental -- \$3,385,600) was again before the committee.

Public
Welfare
APA

Dr. McGinnis presented the committee with revised figures for the supplemental which brought the total figures down to \$3,148,000.

Dr. McGinnis asked Mr. Lang to describe to the committee the manner in which they were able to decrease this supplemental.

Mr. Lang said that when SB 386 (Ch. 234, SLA 1970) was passed last year it raised the legal maximum for Adult Public Assistance from \$200 per month to \$250 per person. It also allowed the department the ability to determine grants. The bill went into effect on September 21, 1970, so at that time the payments rose about \$150,000 a month. The case load also started to rise tremendously and Mr. Lang explained that the reason for the rise in caseloads was the fact that more people were eligible at the lower end of the scale. He said last year at the time the bill passed, the fiscal note indicated the need for \$1,533,000 but no additional appropriation was made to cover this. In addition, the APA budget was cut in grants from the original department request. He said this, therefore, was the reason they were

requesting \$762,300 in APA. The additional \$96,000 will be in federal funds which is the difference between the original supplemental request of \$858,300 for APA. The reason they could obtain federal funds was because they had acquired the additional caseload. Mr. Wright noted that the fiscal note for Ch. 234 was high, and Mr. Lang agreed that it was, but defended it by saying they had used their best estimate. They had no idea of what the impact would be and they tried as best as they could.

They used \$50 per month as the rise in current payments. The actual effect was \$40 plus in increased grant payments. Mr. Lang went on to say they were transferring \$400,000 from contractual services to APA which means they are putting the \$1.2 million into the APA grants portion. The reason they would be lapsing \$400,000 in contractual services was because 36 of the nursing home patients at API were not moved to private homes as previously planned. Mr. Pagenkopf noted they predicted low by 170 in their caseload prediction for APA.

In reply to Mr. Wright, Mr. Lang said that part of the need for the supplemental was the fact that the program in the budget was underfunded by \$400,000 before the legislation even passed. Their budget had been cut on the anticipated caseload prior to the passage of Ch. 234.

Mr. Fink asked for a brief sketch of a person who qualifies for APA. Mr. Pagenkopf said the aged, the blind and the disabled, and then went on to describe assets, etc. A pamphlet entitled

"Eligibility for Public Welfare in Alaska" published by the Department of Health and Welfare, Division of Public Welfare was passed out to each member of the committee. (See Health and Welfare bill file.)

Mr. Degnan asked how they establish basic minimum need for a recipient, and Mr. Pagenkopf said they have to establish a budget standard to meet standards set by the federal government and they use that formula. Mr. Degnan wanted to know how these people make out on the amount they receive, and Mr. Pagenkopf said it has improved so much over last year with the passage of the new legislation that to the best of his knowledge the complaints have about faded away.

Mr. Wright wanted to know if there was any flexibility, in other words, could they adjust the amount a recipient received in order to stay within the amount of money appropriated. Mr. Pagenkopf said Ch. 234 instructed them to increase the budget standard. Mr. Wright remarked then in that case, it was not flexible, it was rigid. Mr. Harris said the flexibility refers to horizontal, not the vertical. Mr. Lang pointed out that the average grant is about \$150 per person, and that not every person received the maximum.

Mr. Degnan asked about the type of housing that people on welfare live in, and Mr. Pagenkopf said there was a variety, depending upon the area. He said about 70 percent of the OAA and APA people are out in the villages and these houses in the villages are generally small. Some people, especially in South-

eastern live on their boats; others in rooming houses. Mr. Degnan asked how they related the housing to the size of the grant, and Mr. Pagenkopf said the relationship is what the recipient is paying in rent.

Mr. Warwick questioned eligibility requirements and wondered if such assets as snowmobiles or boats shouldn't be considered as luxury items. Mr. Pagenkopf explained that the snowmobiles are often used for transportation, and that people often lived on their boats.

AFDC

With reference to the request for Aid to Families with Dependent Children, Mr. Lang said that HOUSE BILL NO. 8 (Ch. 177, SLA 1970) increased this aid from \$105 for a relative with one child and \$40 for each additional child to the following limitations:

- \$125 -- one child, aged 5 or under
- \$150 -- one child, ages 6 through 12
- \$175 -- one child, ages 13 through 18

For additional children, they receive \$50 for under age 5, \$75 for ages 6 through 12, and \$100, ages 13 through 18.

The effective date on this was July 1, 1970. Mr. Lang said this created a tremendous jump in grant payments. It went up 50 percent, or an average of from \$44 per recipient to \$66, and the average case has between 3-4 people involved. He said the slope on the graph for caseloads grew accordingly and this was partially attributed to the high unemployment rate throughout the state. This is following the national trend. Mr. Lang said the fiscal note on Ch. 177 was for \$3.1 million and the program was funded by the legislature at \$1.99 million. They had estimated

the increase per child to be \$28 per month and in actuality it was just over \$20. The caseload had been estimated at 9,124 but it has gone over 9,400, so they were able to compensate. This has caused, however, a projected deficit of \$658,600 of state general funds.

In reply to a question by Mr. Degnan, Mr. Pagenkopf said about 60 percent of the total amount probably goes to food.

Mr. Fink felt the food stamp program should be expanding the money the state is paying out. He questioned whether some of the maximums were too high, and also wondered if these people are living in public housing, and if so, if this is taken into consideration. Mr. Pagenkopf said their housing rent is based on their available dollar.

In answer to Mr. Haugen, Mr. Pagenkopf said if there is a man in the family there is no assistance under the AFDC program.

Mr. Haugen asked if the recipient earns money during some period if this is considered. Mr. Pagenkopf answered yes.

Mr. Wright asked if the Department had a statistician and

Mr. Lang answered Mr. Samuel West is the Chief of Vital Statistics in the Department.

Mr. Warwick asked about the figures on page B2 of the Department's report. Mr. Lang said these represent the Department's estimate of cost with the passage of HB 8 (Ch. 177). Mr. Lang said as a result of the passage of this legislation it raised the cost of the program and this is why they are now asking for the supplemental.

In answer to Mr. Warwick, Mr. Lang said there is more than just grant payments in total AFDC payments -- this includes foster care and child care institutions.

He said a memo dated March 10 indicated Crippled Children should be \$150,000 instead of \$200,000. Mr. Lang said this \$200,000 figure was prepared in early December but was based on the October 31 actual expenditures. He said at the time they submitted this they had said perhaps adjustments would have to be made when they had more experience. They had indicated further need over and above what they requested in the original supplemental, Mr. Lang added.

Mr. Hohman said then that this material does not revise their figures upwards for the needs. Mr. Lang said no, this was submitted to the Department of Administration in January. Mr. Hohman wanted to know if they could reduce this figure by \$50,000 now and satisfy their needs in the area of Public Health. Mr. Lang said that was his understanding and Dr. Freedman, upon questioning, agreed to this statement. Mr. Hohman stated then that it was his understanding that Mental Health would release the money intended for Hope Cottage and reduce that to \$50,000, then the state would save \$229,000.

Mr. Warwick questioned the fiscal note. Mr. Pagenkopf explained that \$8,100,000 is in the 700 series only, not the entire budget. Mr. Fink noted that the caseload shows 9,482 and asked if this was the number of families. Mr. Lang said this is the total number of people -- to get the number of families you would

divide by 3.7.

Mr. Haugen noted they had received \$95,000 from the federal government and Mr. Lang said this will be earned because of caseload increase. Mr. Lang said for the AFDC program they get \$22 per person per month in federal aid, and the average grant per person is \$67 in AFDC. In other words, about one-third comes from the federal government, Mr. Lang said. Mr. Haugen asked if they anticipate any more money. Mr. Lang said this would be the maximum as this amount is based on a formula.

Mr. Haugen said he understood another supplemental had been proposed for this Department and then withdrawn. Mr. Freer said this second supplement was \$1,200,000. Dr. McGinnis said on January 14 they had transmitted to the Department of Administration certain information that indicated there would be an additional request. Subsequent to that time there has been some indication this will not be necessary based on the transfer of funds within the Department. Dr. McGinnis noted. He said this request was for \$1,122,400 (\$49,200 of this was federal) and was broken down as follows:

Administration	90,000
General Relief -- Medical	852,300
General Relief -- Assistance	75,000 (code 300)
	25,000 (code 400)
Child Welfare Services	
Juvenile Code	80,100
	<u>1,122,400</u>

Dr. McGinnis said it is this figure that they understand may not be necessary to present to the committee based on the

proposed transfers.

Mr. Freer said this second supplemental does not come under the areas of need related to the areas the committee had been discussing. He said there is no conflict or need to relate HB 61 to this second supplemental. He said when the second supplemental came through they were loathe to have it added on to the original supplemental and they looked for means within the Department to handle the amount of the second supplemental. Mr. Freer said that Mr. Charney had the details. Mr. Charney elaborated on this. He stressed that the new administration does not like supplemental requests and referred the committee to the chart on lapsed funds that had been given to them at an earlier date. He felt this was a prudent way of handling this, by using the unused portion of the amount in last year's budget for salary increases. Mr. Charney added that the committee could handle this, however, by adding it on to this supplemental. Mr. Hohman said this was not a case of disagreeing; the committee was trying to locate the source of funds for a request to pick up almost \$1,200,000. Mr. Warwick wondered if the salary increase could also absorb this supplemental. Mr. Charney said their projections show they will be lapsing \$1,600,000 of the salary increase money with the \$1,200,000, and he felt that was running it pretty close. It definitely would not cover this \$3 million.

Mr. Wright left the meeting.

Mr. Warwick asked Mr. Charney when they had tried to determine

how much would lapse from the various departments how they handled this. Mr. Charney said their information came mainly from the departments. Mr. Warwick said then they are relying on the department's good faith. Mr. Charney said this is the best information they have right now. He said it was obvious there are some discrepancies and they are now in the process of going back and analyzing each lapse. Mr. Charney said they are contemplating going to an allotment system for the balance of this year. Some of the estimates appear to be way out of line, and where estimates are way out of line or if they feel some departments might be planning to spend more money in the last few months, then they might even go to a monthly allotment. He cited the State Troopers as an example and said they propose to spend \$3.5 million in the last half of the year while only using \$2.2 million in the first half. This type of spending will have to be explained, he felt. Dr. McGinnis said he felt they should comment on this and that should the committee feel they want to approach the problem in a different way, it would make a difference in each line item that they would need for the balance of the year. If they receive the transfer as suggested, then HOUSE BILL 61 would be enough. If there is any reason that anyone is opposed to this transfer then they would have to revise the figures again. There being no further questions, meeting recessed at 9:20 a.m.

AFTER RECESS
3:30 p.m.

Present: All members. Also present were Messrs. McGinnis, McLean, McClain and Lang.

HB 61
General
Relief
Medical

The committee continued on with the discussion on HOUSE BILL NO. 61. Mr. Lang said that on General Relief, Medical that \$1,132,700 was their best estimate on what the over-expenditure would be in this program and he hoped that it was almost the size of the authorized appropriation.

Mr. Lang said that their hospital expenses had increased over the prior year by 40 percent; dental and physician charges by 70 percent; and drug charges increased by 45 percent.

In reply to Messrs. Wright and Fink, Mr. Lang explained that this definitely did not mean that the cost of this service had increased by that much -- it was the number of caseloads that was spiraling upward. Some prices had gone up but not enough to increase the cost by a great deal. Mr. Fink asked about the number of people involved and in what programs did they qualify. Mr. Lang said that all of these people who are eligible in other categories (APA, AFDC, etc.) were eligible for GRM, or essentially, anyone without funds.

Mr. Lang referred to the 5th page of C-1 of the report furnished by the department which excludes Medicare. He said with Medicare the state picks up the 20 percent which is the deductible portion by the federal government. In other words, the federal pays 80 percent for persons eligible under Medicare. Mr. Fink asked if the number of persons meant different people

each month. Mr. Lang said yes, and amplified on that point by saying that the longer a person is in the hospital the less it costs. As a rule, a person entering the hospital has a variety of charges -- operating room, etc., but the longer they stay the fewer additional costs.

Mr. Wright wanted to know what constituted eligibility under this program and Mr. Pagenkopf said that it was most anyone who was eligible for the general relief program. If they have any resources or if they can pay in a reasonable length of time, they are turned down but if it is a family with a low income, the state usually pays for it. Mr. Pagenkopf said that if someone is admitted to the hospital that is not able to pay for services, the hospital must notify the state within 48 hours or they will not pay for it. The comment was made that, "it was highly unlikely the hospital ever waited 48 hours to notify the state."

Mr. Lang noted that with the high unemployment rate throughout the state many people have exhausted all of their resources and this is another reason why this category has run dry. Messrs. Wright and Fink discussed the number of people they know who "gripe" about those who are receiving welfare but have more resources than others who are not eligible. Dr. McGinnis felt this was a nationwide problem and not just in Alaska. He plans to spend time on diagnosing and analyzing this to see if he can find out what is happening and why it is happening. He did feel that part of this was related to eligibility. He

realized they could not bring on an enormous staff to go over every case but in each program he wanted to go on a monitored basis and take enough samples, which the department has not done in regard to eligibility, and evaluate all of the programs. Dr. McGinnis thought they should look into the whole range of medical eligibility and he wanted the committee to realize he was deeply concerned. Dr. McGinnis is looking for ways and means to do the essential things needed to be done so the questions that have been posed by the committee can be resolved. He said they will be moving into many of these areas and will find some answers.

Mr. Fink wanted to know if the state must pay all medical costs (whatever they are billed) or does Health and Welfare have contracts for fees.

In reply to Mr. Fink, Mr. Harris said the bills from doctors, etc., did not vary except by area. He felt they had a fairly set schedule that was billed to everyone, whether it was an office call or for a particular kind of surgery. He was not aware of any overcharging on welfare patients.

Mr. Haugen and others discussed the upward trend of medical and welfare care and the fact that the budget has increased from \$32,000,000 to the proposed \$52,000,000 in this budget. It was pointed out that the BIA spends another \$25,000,000 a year in Alaska on medical and Mr. Haugen said it was becoming a critical thing. The state would simply have to figure out a way to get back to a reasonable level.

Dr. McGinnis confirmed the fact that this has been a matter of some concern to him and others and once the state went in the direction of full cost of care concept -- child care, institutions, etc. -- and applied this to hospitals, coupled with usual fees for physicians, dentists, etc., then the increased caseload, the result is of course an inevitable mounting sum of dollars. Whether the state can afford to do this indefinitely, is a very crucial question. Dr. McGinnis said if the answer is yes, and that is the philosophy, then they have to face the fact of the dollar amount. If the answer is no, there should be some suggestions of means whereby the job can get done effectively though not as well, but for a lesser figure. Whether the state can continue to purchase services at full cost would also have to be re-evaluated.

He felt they must be able to bring in some suggestions; however, he didn't feel the department should dictate on what he felt should be a legislative prerogative.

Mr. Hogan, fiscal analyst, wanted to know if the payment of contractual services in medical programs was automated. Mr. Lang said it was manual. Mr. Hogan asked if they had a contract with Blue Shield to perform audits or if it was done internally. Mr. Lang said they did not have a contract with Blue Shield; however, they had talked to them about going into an agreement but decided it was cheaper with having it done internally.

Mr. Iverson said they were working on an automated program that

should go into effect within the next 3 to 4 months. Mr. Hogan asked, since that was the case, would they go a step further and set the limits that would "kick out" the payments that do not fall within the limits. Mr. Iverson said they were paying what is "reasonable and customary." Pre-audit reviews the bills and if it appears to be "in the ballpark," then the state pays it. He said that prior to 1965 the department operated under the Veterans Fee Schedule and then they changed to the California Relative Fee Schedule as amended by the Alaska Medical Association, paying higher increment costs and this was in effect until 1967. Then the former Commissioner of Health and Welfare, Dr. Chapman started paying "usual and customary." Mr. Iverson explained that under the two earlier plans -- Veterans and the California schedule -- they tied up three people full time including a Public Health physician who could do nothing but review bills for payment.

The chairman called a recess at 4:15 p.m.

AFTER RECESS
4:35 p.m.

The committee continued discussing General Relief, Medical on HOUSE BILL NO. 61. Mr. Fink asked if a patient must sign a document attesting to his inability to pay. Mr. Pagenkopf described the various forms that must be signed and Mr. Fink requested that the committee be furnished with a set of forms for all of the programs.

Mr. Wright wanted to know how they would survive on the amount the Governor is allowing for the new fiscal year. Dr. McGinnis

assured him they would not. He said that bringing this budget to the \$40,000,000 figure was not a judgment as to the needs as predicted and the needs as indicated by the full cost of care, the full cost of children, etc. They are not making a judgment that the need is being met. He urged the committee to not necessarily judge the figure but to make note of the fact that the amount which is indicated may not be sufficient and if there should be a need for a supplemental, it should be taken at that time.

Mr. Wright told Dr. McGinnis if the committee should allow \$38 million instead of \$40 million, then the department comes in next year with a \$2 million supplemental, he felt the committee was only wasting its time.

Mr. Haugen left the meeting.

Dr. McGinnis recognized the possibility of eliminating certain programs, or cutting the level of service, but if there are factors that cannot be controlled, or out of the control of the department such as fixed levels being established by the legislature, then they are faced with reducing the level of service or accept the inevitability that they have to have more money.

CWS/JC

Child Welfare Service/Juvenile Code request for the supplemental was \$118,700. Mr. Harris said this was due, for the most part, to the passage of SENATE BILL NO. 240 (Ch. 136, SLA 1970 -- purchase of services) which is the full cost for child care institutions and nonprofit nursing homes. There were no additional funds put into Health and Welfare subsequent to the

passage of this legislation. The fiscal note accompanying this bill was \$163,900 in additional funds. Mr. Wright noted that the fiscal note and the amount of the deficit (\$118,700) did not match. Mr. Ditman commented he did not understand the thinking of the legislature in passing this kind of legislation without funding it. Mr. Iverson told the committee that he had spent two man-months researching this bill and HB 251 (similar bill that did not pass the Sixth Legislature), held many meetings and after all of this work, they came up with the \$163,900 estimate. He said it turned out that it was based on erroneous information and he personally felt most uncomfortable about that particular fiscal note, but actually he had felt it would be more than it was.

MINISTRATION

It was noted that the supplemental need for this was \$46,000. Mr. Lang pointed out the fact they had been able to cut this from \$92,000. He said they had originally requested four trailers to put in the Bethel area to house social workers. Mr. Harris said they had talked about this and they have never had sufficient housing, particularly for families, and they have secured statements from former employees who state they left Bethel because of the lack of housing. He felt they could not recruit anyone to go there and particularly if they have families. Right now they have several vacancies but until there is better housing, there is no chance of filling these. Mr. Degnan thought the same problem existed in Nome

and Kotzebue, but Mr. Lang disagreed and said it was not nearly as bad, they have had the same people in those two areas for some time. Mr. Wright wanted to know if they charged rent and Mr. Lang said yes. They discussed rates but it varies from department to department and according to Mr. Iverson they have never been able to get a set schedule. That is another problem that causes them to lose employees -- other state agencies such as the troopers furnish much better housing so people transfer. Mr. Wright resented the fact they did not always charge the full cost of housing and thought that "of the whole deal this is the squirreliest."

Mr. Iverson said they try to arrive at what is fair and equitable based on what other departments are charging their employees for housing. They also charge a different rent if the employee, such as a public health nurse, is using her quarters for an office which literally puts her on duty 24 hours a day. In answer to Mr. Fink, he said no rules or regulations cover this, though there had been a meeting at one time to resolve this, nothing came of it. In answer to a query as to where the rent goes, Mr. Iverson said into the general fund.

Mr. Hohman asked how they had reduced the administration category from \$92,000 to \$46,000. Mr. Lang said they had been informed that they were eligible for federal funds for the trailers, and quoted a letter found in their report under F-1 from Stephen P. Simonds, Commissioner of Community Services Administration, informing the department that "...the purchase of four house

trailers to assure availability of staff in the Bethel area would be appropriate matchable expenditures to assure proper and efficient manning of the welfare programs..."

There was a brief discussion on going the ASHA route, but with the present fiasco in the Bethel Heights project, there appeared to be little enthusiasm for this approach at the present time.

Mr. Iverson realized that trailers were not the permanent solution to the problem and the solution of course would be to build fixed housing, but until they are able to go that route, this should be of some assistance.

Mr. Hohman told the committee that the possibility of ASHA housing had been investigated -- a 52-unit building was suggested about 4-5 years ago, but there had been no follow through on it.

Mr. Hohman told the committee he had received a report from the department on the Bethel housing situation but he had not yet distributed it.

Mr. Wright reiterated that the problem of charging rent less than the cost should be investigated by all departments and some consistency should be used.

Mr. Fink brought up the subject of eligibility for the various types of welfare and felt that welfare workers had to make tough decisions, but he did not approve of the system whereby they could tell a person who was actually eligible that he was not simply because the state was unable to provide him with funds. He felt there should be a way that if a person is eligible that he is definitely aware that he is. Mr. Pagenkopf

said that the law reads that general relief is permissive and says in essence, "when the money is available" it may be paid. In interpreting this law, Mr. Pagenkopf said they have set up priorities such as someone with a small child would take precedence over someone without children.

Mr. Degnan asked about the standards based on need and Mr. Harris said they had never had a standard, they give them as much as they are entitled to under the law. He said they do allot so much to each district; however, with the unemployment problem in Fairbanks this year, they took funds from Anchorage to bail out Fairbanks, then later had to take from the Juneau district to help out in Anchorage. In answer to Mr. Fink, he said they do have a statutory limit but as a rule they do not help out single people very often. But when there are 700 people out of work and come in and line up for assistance, they have to do something. Mr. Harris did not believe that the people of Alaska wanted anyone starving or freezing to death for lack of food or fuel. Mr. Fink agreed but felt the food stamp program was taking up a lot of money that could assist in this area.

Dr. McGinnis felt the department should find some other way to deal with the eligibility factor and thought Mr. Fink had raised a valid point. He hopes to approach the new fiscal year with the solving of this particular problem. He would like to see it so that no social worker will have to decree a person ineligible when he really is eligible for help. The state cannot justify this system, and he promised the committee they would look at

this problem with more than casual or routine attention.

Mr. Fink said he realizes the state must pay welfare but he felt it should not be growing at the rate that it is. Mr. Hohman reminded him that it is a nationwide program.

Mr. Harris was asked about the size of welfare program in Juneau, and he replied that 36 vouchers were issued in January. He said this does not indicate that 36 people received help, it only means that of the three categories of welfare -- food, rent and fuel -- that that many vouchers were issued. For example, one person could receive three, one for each category.

There ensued a discussion on food stamps and problems therein.

Mr. McLean said they have tried to check out complaints but no one is ever willing to name names so it makes it pretty well impossible to follow up without knowing who is supposedly receiving food stamps that should not be.

He said, however, that to try to control the use of food stamps, they had submitted regulations on this, but they had to go through the Attorney General's office before they became effective.

By the time they were approved and ready to be filed the federal government had changed their regulations, so now they will have to file new regulations to conform with the federal government.

Mr. McLean said that many of the recipients of food stamps are college students, and Dr. McGinnis concurred on this, stating that one of the first things that many young people do when they arrive in Alaska is to apply for food stamps.

Dr. McGinnis said this is another area they are going to begin

monitoring and he hopes to produce an in-depth study to see if they can find out what the percentage of slippage is in this program.

In reply to Mr. Degnan, Mr. Harris said they have 21 people on the staff throughout the state administering the food stamp program.

Meeting recessed at 5:30 p.m.

CASELOADS BY CATEGORY

	TOTAL APA	OAA	AFDC	AD	AB	TOTAL
January 1971	2,777	1,780	2,801	901	96	6,477
October 1970	2,580	1,668	2,619	820	92	5,199
" 1969	2,278	1,521	1,988	664	93	4,266
" 1968	2,047	1,444	1,511	508	95	3,558
" 1967	1,871	1,393	1,314	382	96	3,185
" 1966	1,778	1,371	1,282	305	102	3,060
" 1965	1,714	1,368	1,213	236	110	2,927

AFTER RECESS
3:00 p.m.

Present: All members.

HB 52 Mr. Warwick moved and asked unanimous consent that the committee consider HOUSE BILL NO. 52 (appropriating \$950,000 to the Department of Education, Alaska Higher Educational Facilities Act Commission). No objection so ordered. Mr. Warwick said he had been researching this bill and felt that by not appropriating this Alaska Methodist University would be in serious trouble. He said he would like to assure that AMU does not die. He pointed out if there was a University of Alaska takeover, it would cost the state a lot more. Mr. Warwick proposed the following amendment which he felt would give AMU an incentive:

"AS 14.40.910 is amended by adding a new subsection to read:

(b) Effective with all terms commencing after July 1, 1973, no payment may be made under sec. 900 of this chapter for a course if a similar course is offered by the University of Alaska system at a location within the immediate area of the privately sponsored institution of higher education. Contractual payments to private institutions shall be reduced proportionately for all such duplicate courses taken at the private institution."

Mr. Ditman questioned what kind of incentive this would give them, and Mr. Fink suggested passing this bill but changing July 1, 1972 to July 1, 1973 which would give them two years. In this way the state would not pay for competing courses after

July, 1973.

Mr. Wright brought up the word "course" in the amendment and wondered about substituting "program".

Mr. Ditman asked what would happen under this proposed amendment if AMU was teaching a given course and the U of A was not. He thought if at a later time the U of A started teaching this course then AMU would be the one to lose. He felt the school that would be penalized would not be the one starting the problem.

Mr. Fink suggested introducing a new bill from the amendment and making the date 1973 instead of 1972. Mr. Hohman said then they could suggest both bills be considered at one time.

The committee discussed this briefly and agreed upon Mr. Fink's suggestion of substituting the above amendment for a bill.

Mr. Fink moved and asked unanimous consent that HWE CS FOR HB NO. 52 be adopted in lieu of HB 52 and reported out of committee with a "do pass" recommendation. There being no objection it was so ordered and all members signed "do pass."

HB 314

Mr. Fink then moved and asked unanimous consent that the above amendment be put into bill form (which later became HOUSE BILL NO. 314) and reported out of committee with a "do pass" and that both this bill and HB 52 be considered on the calendar at the same time.

There being no objection it was so ordered.

It was then determined that these bills would be signed out but held in committee for a day or two.

Meeting recessed at 3:30 p.m.

AFTER RECESS
5:30 p.m.

HB 314

Mr. Warwick directed the committee's attention to the word "course" in HB 314 and wondered if it would be better to be "program." He had discussed this with Dr. McGinnis and he indicated that he understood exactly what "program" meant and that is the word that should be used.

Mr. Hogan felt that if "program" was to be used, it would have to be defined, and he advised the committee that it could cause a number of complications. Mr. Warwick suggested they hold off on a decision on this. Mr. Fink said that he felt this was the type of thing that the Legislative Council could do some research on during the interim.

There being no further questions meeting adjourned at 5:45 p.m.