

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2512

HOUSE FINANCE COMMITTEE MEETING

March 11, 1971

8:40 a.m.

Present: All members. Dr. McGinnis, Mr. McClain, Mr. Iverson and Mr. Lang from the Department of Health and Welfare were also present.

HB 61 Dr. McGinnis gave a summary of where the committee had left off in its discussion of March 10 on HB 61 (appropriating to Department of Health and Welfare).

Mr. Hohman said then the \$2,700,000 is the sum of the figures that have been discussed. Mr. Lang said this amount is for Public Welfare, and then \$200,000 is for Public Health and \$297,700 in Mental Health and this would give the total.

Dr. McGinnis said that the total for Administration of \$92,000 became \$46,000 -- the rest to be funded federally.

Mr. Warwick referred to the Department's memo saying that the figures for Public Health and Mental Health can be reduced to \$150,000 and \$50,000 respectively. Mr. Lang said this is correct -- they didn't change on this because they were not even around when HB 61 was introduced. Mr. Lang said he did not mean to insinuate they would remain there.

As there were no further comments on HB 61 the committee recessed briefly.

HOUSE FINANCE COMMITTEE

March 12, 1971

8:45 a.m.

Present: All members.

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

HB 117 -- An act concerning a Constitutional Convention --
Hohman

HB 106 -- State employees pay raise -- Fink

HB 279 -- Appropriating \$100,000 to RDA Headstart Development Program -- Degnan

HB 24 -- Appropriating \$2,000,000 for Fairbanks Pioneers Home -- Ditman

HB 189 -- Appropriating \$3,000,000 for Anchorage Pioneers Home -- Ditman

HB 260 -- Increasing per diem -- Status of women -- Warwick

HB 102 -- Loans commercial fishing -- Fink

HB 103 -- \$35 million for fishing loans -- Fink

HB 54 -- Claims against the state -- Wright

HB 127 -- Appropriating \$45,000 Office of Governor -- Wright

HJR 41 -- Native Land Claims -- Ditman

CSSCR 5 -- Winter trails -- Restaking -- Degnan

SB 82 -- Granting public transit powers/first class cities --
Haugen

HB 244 Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 244 (authorizing the sale of the M/V Wickersham) be brought before the committee. No objection so ordered. Mr. Fink indicated he was in favor of the sale but because of political reasons, he

would sign "no recommendation." He very likely would, however, vote "yea" on passage of the bill. Mr. Hohman read the Governor's letter which outlined what the administration's future plans were for the ferry system. Mr. Hohman moved and asked unanimous consent that HB 244 be reported out of committee with do pass. All members signed "do pass" with the exception of Messrs. Fink and Haugen who signed "no recommendation."

A committee report will accompany the bill to the floor.

HB 61 Mr. Hohman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 61 (Health and Welfare supplemental). No objection so ordered. The following figures were suggested for use in a committee substitute:

Public Health	\$ 150,000
Mental Health	50,000
Public Welfare	<u>2,672,300</u>
	\$2,872,300

Mr. Hohman said he was suggesting that \$46,000 be deleted from the Administration category which was in the original bill. This item had originally been \$92,000 for four trailers for welfare workers in Bethel. Then it was discovered that this could be partially funded by federal funds so it was reduced, at the suggestion of the Commissioner, to \$46,000. Mr. Hohman's reason for total deletion was because he felt that they should discourage state-owned buildings for office use and residential as long as there is someone in private enterprise willing to meet the demand. He said this is true in Bethel and that by late summer of 1971 housing will be available. It seemed to

him that if the state is going to look at development of local government, they should look at the tax base, too. The committee concurred with him on this remark.

There being no further questions, Mr. Hohman moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HB 61 be adopted in lieu of HB 61 and that it be reported out with a "do pass" recommendation. Mr. Warwick objected because he felt the bill should be discussed because he was afraid they would take a beating on the floor. Mr. Haugen was sure it would be "ragged" around on the floor by certain members and Mr. Hohman agreed; however, he assured the committee it would pass. Mr. Warwick removed his objection and CS HB 61 was reported out with "do pass" recommendation except for Messrs. Haugen and Fink who signed "no recommendation." A committee report will accompany the bill.

HB 52
HB 314

Mr. Hohman reminded the committee that HOUSE BILL 52 (appropriating \$950,000 to Department of Education, Alaska Higher Educational Facilities Commission) had been held in committee though it had already been reported out on March 10. He asked if the committee wanted it on the calendar and Mr. Warwick said he wanted HOUSE BILL 314 (relating to state agreements with private institutions of higher education) on the day preceding HOUSE BILL NO. 52. Mr. Fink disagreed and did not feel that HOUSE BILL 52 should be held up for the companion bill.

Mr. Ditman wanted to know if \$950,000 was the right amount for HB 52 and Mr. Warwick thought it was probably about \$50,000 too much. Mr. Hohman said he personally would like to see both

HB 52 and HB 314 be released from the committee. Mr. Fink was in favor of taking the funds out of the budget for next year if HB 314 is not reported out of Health Welfare and Education Committee. Earlier indications were that HB 314 would be referred to HWE after introduction. (It was.)

HB 218

Mr. Ditman moved and asked unanimous consent that HOUSE BILL NO. 218 (lapsing \$29,925,575 for certain capital projects) be considered by the committee. No objection so ordered.

The following information was read to the committee by Mr. Ditman by way of explanation:

This act would have the effect of returning \$29,925,575 to the general fund where it would again be available for future appropriation. This amount represents those Capital Improvement projects funded by direct appropriation under Chapter 250, SLA 1970 which were subsequently funded by ASHA and General Obligation Bond sales, as follows:

Total General State Building Projects, Chapter 250, SLA 1970	\$32,986,800
Less projects not funded from Bonds:	
Barrow Combined Facilities	450,000
Kalsig Bay Highway Maintenance Shop	204,000
Kotzebue Combined Facilities	323,200
Nome District Highway Complex & Office Building	1,800,000
Trims Highway Maintenance Shop	<u>284,025</u>
	(3,061,225)
Net amount to be lapsed	\$29,925,575

Mr. Hogan discussed with the committee the possibility of rewriting the bill so that the above listed projects be shown in the body of the bill. Mr. Hohman thought that a letter of intent accompanying the bill would suffice. Mr. Warwick did not understand the reason why this legislation was necessary and it was explained that ASHA bonds had been sold to finance

all but these four projects and therefore, to lapse the money back into the general fund this bill was necessary.

Mr. Ditman then moved and asked unanimous consent that HOUSE BILL NO. 218 be reported out with a "do pass" recommendation.

No objection so ordered. A committee report will accompany the bill.

Meeting recessed at 9:45 a.m.

AFTER RECESS

2:00 p.m.

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

HB 34 Mr. Hohman called the meeting to order and Mr. Wright moved and asked unanimous consent to discuss HOUSE BILL NO. 34 (Relating to physician assistants). No objection, so ordered. Regulations by the medical board were discussed and Mr. Hohman said an amendment had been suggested by the Alaska Optometric Association as follows:

Line 14: After the word "chapter." add the following new language:

"No medical services may be performed under this section in any of the following areas:

(a) The measurement of the powers or range of human vision, or the determination of the accommodation and refractive states of the human eye or the scope of its functions in general, or the fitting or adaptation of lenses or frames for the aid thereof.

(b) The prescribing or directing the use of, or using any optical device in connection with ocular exercises, visual training, vision training or orthoptics.

(c) The prescribing of contact lenses for, or the fitting or adaptation of contact lenses to, the human eye."

Considerable discussion followed with members generally not in agreement with the amendment, mainly because it would defeat the purpose of the bill. Mr. Fink felt the medical association should take some responsibility for physicians assistants, but it was argued that this is not possible in rural areas. Mr. Wright said all the bill is to accomplish would be to make legal what is now being done in the rural areas. Mr. Hohman read the committee report from the HWE committee, who has passed the bill. Mr. Wright moved and asked unanimous consent that Committee Substitute for House Bill No. 34 be passed out of committee and there was no objection. The bill was passed out with a unanimous report of "do pass."

Recess: The meeting recessed at 2:30 p.m.

HOUSE FINANCE COMMITTEE MEETING
March 16, 1971
9:00 a.m.

Present: All members.

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

HOUSE BILL NO. 2 -- an act relating to workmen's compensation -- Ditman

HOUSE BILL NO. 73 -- appropriating \$3,976,669.77 -- Ditman
to Dept. of Natural Resources
Management of State Lands

HOUSE CONCURRENT RESOLUTION NO. 18 -- Relating to-- Ditman
improvements for Chevak.

HOUSE BILL NO. 245 -- appropriating \$7,000,000 to
Dept. of Public Works,
capital improvement ferry system -- Warwick

The committee went into a discussion on the budget for the Department of Fish and Game.

HOUSE FINANCE COMMITTEE

1:45 p.m.

Present: All members. Mr. Hohman made the following bill assignments:

SENATE BILL NO. 76 (relating to educational assistance for veterans) -- Haugen

HOUSE BILL NO. 196 (relating to the State Commission of Human Rights) -- Ditman

HOUSE BILL NO. 262 (relating to fees charged by employment agencies) -- Fink

HOUSE BILL NO. 282 (uniform relocation assistance for real property acquisition) -- Warwick

HB 54

HB 54: Representative Leslie Swanson was present to testify on HOUSE BILL NO. 54 (relating to claims against the state). Mr. Swanson told the committee he had submitted an amendment to the Judiciary Committee because he did not feel that state employees of the Highway Department should be liable. This amendment would have taken care of this; however, the Judiciary Committee chose to report the bill out without adopting this amendment. The attitude of the committee was that either the Finance Committee could handle it or it could be done on the floor. Mr. Swanson read a letter (see bill file) to the committee from Mr. Robert Sharp, City Manger, Anchorage, who recommended that the following words also be added to the amendment: "and/or design deficiencies", thus relieving the state of any obligation in the event someone tries suing on the basis of poor or improper road design.

Mr. Swanson explained that under the Constitution of the United States that the United States or a state is not liable for suit unless it is allowed. In essence, what this bill would do is prevent a person from suing the state in the event of a highway accident.

Mr. Fink reviewed, for the benefit of the committee, the three cases that the state has had thus far. The first one was the Brad Phillips case whereby he was awarded somewhere in the vicinity of \$300,000; the second one has to do with the design of the road, and the third one was about \$290,000 award. Mr. Fink felt that with these suits, eventually there will be no carrier who will insure Alaska at any price. As it is now, the price is going up and up and two carriers gave their 30-day notice shortly after the Phillips case decided and it is likely other carriers will drop out too.

Mr. Fink stressed that the state and federal government are not liable to individuals unless they write a law that allows it. This proposed legislation will not allow an individual to sue the state of Alaska due to the conditions of the road. Mr. Fink reminded the committee that in Alaska a person simply has to expect problems due to topography, climate conditions, etc. If these suits continue, Mr. Fink felt that the state would no longer be able to afford to build roads. They would have to spend all of their time, money and effort trying to perfect the ones they already have.

In reply to a question by Mr. Warwick, Mr. Fink said that regardless of the circumstances e.g., road crew forgetting a barricade on a torn up road, if this legislation passed, no individual could

sue the state.

Mr. Hohman wondered if there wasn't some alternative or middle ground whereby if the state was totally negligent a person would have some recourse. Mr. Swanson said in the case of an accident on a road under construction, the individual could sue the contractor but that would be the only way.

Mr. Swanson quoted a letter from Burce Campbell, Commissioner of Highways, who stated, "...Should the present trend continue, the alternatives open to the Department of Highways will be as follows:

1. Improve the quality and quantity of maintenance throughout the system to such an extent that accidents which might be attributable to maintenance be greatly reduced....

or,

2. Close any route which reaches the point that substantial extra care in driving is required during severe weather and severe icing conditions...." (See bill file for complete text of letter.)

Mr. Ditman argued against the bill and stated that he felt this should only be in the case of extreme weather when a person should be out on the highway only at his own risk. Mr. Fink disagreed. Mr. Warwick wanted to know how much this would reduce the insurance premium and Mr. Swanson wasn't sure. Mr. Fink felt it might not reduce it but at least it would stop going upward. Mr. Warwick asked about liability on Fish and Game planes and Mr. Swanson said he was interested in Highways but if someone wanted to add Fish and Game it could be done. He told Mr. Warwick that any area could be done by legislation, not just Highways or Fish and Game.

Mr. Fink pointed out that until the last four years, there had been no abuse by citizens but since the Brad Phillips award, a great abuse of these law suits had been started. Highway construction up here is not a science and he felt it was impossible to build a road that someone could not show negligence. Mr. Fink said he did not expect the court to decide in favor of the Phillips case. Normally if an individual suffers a loss because of someone else's negligence it is sound philosophy to have to pay but when the state has to pay huge sums of money for every bump in the road then it doesn't work. As long as the state has court decision like this, he felt the state could not assume liability for anyone on the highways. Mr. Fink suggested that people that don't want to take chances probably should not be driving in Alaska. Mr. Swanson cited figures from Department of Administration, Division of Supply (see bill file for complete report) stating that in 1962 the state paid \$87,317 in premiums and in 1971 the state had paid \$434,534. Mr. Swanson felt that these suits are just a beginning, now that two have been won, there will be many more. If this continues, five years from now, he didn't think the state could keep up with the cost. The highway system would have to stop growing and the ones already built would have to be made completely accident-proof. Mr. Fink suggested as an alternative that the state put a limit of possible \$25,000 on a case, and Mr. Ditman thought that was better than nothing. Mr. Swanson referred to the amendment that he had suggested to the Judiciary Committee and said it had been written by the Attorney General's office.

Mr. Fink wasn't sure if this bill was the solution and he had hoped that the Judiciary Committee would come up with something but they had not.

Mr. Wright said he could not support HOUSE BILL No. 54. Mr. Hohman suggested that the committee meet again at 8:30 a.m. on this. He said Mr. Campbell would be here to testify on another matter and they could talk to him on this at that time.

HB 52 Mr. Hohman moved and asked unanimous consent that the committee now consider HOUSE BILL NO. 52 (Supplemental appropriation to Department of Education, Alaska Higher Educational Facilities Commission - \$950,000). (The Speaker had recommitted this bill to the Finance Committee for one day.)

Mr. Hohman told the committee that the only amendment to this bill that could be considered would be to reduce the appropriation to the level consistent with the figure given the committee by the Department of Education. The revised figure totalled \$892,075. Mr. Warwick reminded the committee that he had told them of this before the bill had originally passed out of the committee. The new figure would cover contractual agreements only and would not allow for additional funds for grants or loans. Mr. Warwick argued to delete the words "grants and loans" but it was pointed out to him that the bill was returned to this committee only for the purpose of decreasing the total figure and not for any other reason. Mr. Warwick said the reason this bill was ever proposed was because last year's legislature passed legislation allowing for contractual agreements and only appropriated enough for grants and loans.

Mr. Hohman felt the rationale of this bill was to allow only for contractual agreements and did not feel there was any indication that it would be used otherwise.

Mr. Ditman wanted to know how much more was needed to fund grants and loans and Mr. Warwick didn't know because he said students have not applied since they were aware there were no funds.

Mr. Fink moved and asked unanimous consent that the committee report out a COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 in lieu of HB 52, with the new figure of \$892,000. Warwick objected temporarily while stating his views, then removed his objection. CSHB 52 was reported out with unanimous "do pass" and a committee report attached (see bill file). The committee adjourned at 3:15 p.m.

HOUSE FINANCE COMMITTEE
March 18, 1971
8:40 a.m.

Present: All members with the exception of Messrs. Degnan and Wright.
Representative Leslie Swanson. Bruce Campbell, Commissioner;
Thomas A. Johnson, Administrative Director, Department of Highways.

HB 54 Mr. Hohman called the meeting to order and asked Bruce Campbell for comments on HOUSE BILL NO. 54 (An Act relating to claims against the state). Mr. Campbell said the problem that HB 54 attempts to address itself to is not one he cared to take a position on one way or another. He believed legislation should determine the state's liability.

Mr. Campbell continued that it was his opinion that one or two more favorable court cases will result in a deluge of suits against the state. By other state's standards, the Glenn Highway and the Richardson Highway would be classified as sub-standard; however, the amount of traffic did not warrant substantial improvements. Also these roads are impossible to maintain in a safe manner at all times as snow or washes on the shoulder create uncontrollable problems. In Mr. Campbell's opinion, he didn't see anything the Highway Department could have done to prevent the accident involved in the recent case where the court found for the plaintiff. The court is taking a very liberal attitude toward these suits. Thus far the liability has been small; but if seven or eight people were involved in an accident, it could involve many millions of dollars. Mr. Campbell concluded that to recommend what the state should pay in the manner of liability is not an obligation of his office.

Mr. Fink said there is a pending lawsuit in Fairbanks maintaining the state is liable because of the design of the highway. He asked what the Highway Department would do if they lost a suit on design. Mr. Campbell replied he would do what the court directed and assumed the court would give some direction. He added it is impossible to design anything that is fool-proof. As long as there are highways and cars, people will get killed. They will try to blame everyone but themselves. Mr. Campbell continued that you could go to any road in Alaska and find some design defect. Mr. Fink then asked what would be done if the court did not give any direction, would the highway be closed? Mr. Campbell said they would just have to wait and see what was involved. If it was a bad spot, the department would certainly repair or replace it. If consistent with the rest of the design, it would be futile to tear up that section of the road. Mr. Swanson noted there was an area in Eagle River where many accidents have occurred, it was just a dangerous spot.

Mr. Warwick said an accident could occur when work was being done on a highway and the barricades were either removed or not put up by the maintenance crew. If a driver ran into the culvert or hole which resulted in an accident, he could not sue the state under this bill.

Mr. Wright arrived at the meeting at 8:50 a.m.

Mr. Campbell said the state should be liable for acts of carelessness, but should not be responsible when they have done the best job possible and an accident occurs. He added that the state should certainly be blamed for deliberately careless acts, and Mr. Fink noted that the recent court case did assume the Highway Department had been negligent. Mr. Campbell answered he could not see where

and the court had not given any direction.

There was a discussion on maintenance and Mr. Campbell said they are doing the best job they can now. A bill to prevent suits against the state would not result in changing policies on maintenance, and the average worker doing maintenance would probably not even be aware of the change in the law. Maintenance and sanding is done to the limit of the department's ability and money, and will continue to be done in this manner. Mr. Campbell noted another factor is that when more of these favorable court decisions occur, suits will be brought in other areas - airports and boat harbors. Mr. Swanson said the wording of the bill may have to be amended, but the intent is for the betterment of the state.

Mr. Wright noted he could never support the bill because someone would get the "shaft" due to highway's negligence. Mr. Fink said that is the entire problem under discussion, what does the word negligence mean.

Recess: Mr. Hohman said the bill will be brought up for discussion tomorrow morning and the meeting recessed at 8:55 a.m.

The following bill was assigned:

HB 287

HOUSE BILL NO. 287 -- An Act appropriating to the Department of Fish and Game; and providing for an effective date - Haugen

HOUSE FINANCE COMMITTEE
March 19, 1971
8:40 a.m.

Present: All members.

HB 54 Mr. Hohman called the meeting to order. Mr. Wright moved and asked unanimous consent to bring HOUSE BILL NO. 54 (Relating to claims against the state) before the committee for discussion. No objection, so ordered. Mr. Wright said he is not in favor of this bill and will not support it as is. He added he has talked to the Chairman of the Judiciary Committee and Mr. Hohman asked if the Chairman had suggested any alternatives. Mr. Wright said no. Mr. Wright said the bill is unacceptable to him and he would welcome any modifications; in fact, he would like to refer the bill back to the Judiciary Committee. Mr. Fink said the Attorney General's office should be called as they drafted an amendment to the bill as follows:

* Section 1. AS 09.50.250 is amended by adding a new paragraph to read:
(4) is an action for tort, and is based upon the negligence of the state in failing to maintain state roads and highways.

There was a question as to whether the Attorney General's office supported this amendment, and Mr. Fink said they should be called to testify before the committee.

Mr. Warwick asked why the state is not self-insured for liability and Mr. Fink said he assumed they could not afford it. However, since insurance premiums are going up, perhaps the state should be self-insured. Mr. Wright asked Mr. Hogan for his suggestions and Mr. Hogan said a possibility may be the law governing Eastern states which allows the state to choose the suits it will accept. Mr. Fink was opposed to this and said at the present time Alaska would accept suits

from Democrats but not from Republicans.

The committee decided to question someone from the Attorney General's office and Henry Holst joined the meeting to testify. Mr. Hohman noted the proposed amendment that the Attorney General's office had drafted and asked Mr. Holst if the A.G.'s office supports the amendment or merely drafted it. Mr. Holst said they had drafted the bill and the Attorney General's office has taken no official stand. Upon further questioning, Mr. Holst stated it was his personal opinion that the bill is contrary to the trend throughout the states to broaden the citizen's right to sue the state and he would be opposed to the bill.

Mr. Hohman stated the bill is not acceptable to the committee in the present form and alternatives have been suggested. A ceiling may be established, or selective liability as in the Eastern states, or it may be possible to define negligence on the part of the state so the state is not indiscriminantly sued. Mr. Holst noted recommendations have also been received from the Highway Department (see bill file). Mr. Fink asked Mr. Holst if he had any experience with previous highway court cases and Mr. Holst said he had read the case histories, but has only been in Alaska since September of 1970. It was his opinion that the state had been negligent in the previous cases. Mr. Fink noted insurance premiums will continue to rise if suits are won against the state and Mr. Holst that was not relevant to the legal problem. Mr. Fink then asked if suits could be brought because of the design of the highway and Mr. Holst said similar suits

have been brought in other states.

In answer to a question from Mr. Ditman, Mr. Fink said insurance premiums would go down substantially if the bill was passed. If suits continue, the rates will climb; and possibly the state should be self-insured.

Discussion continued and Mr. Fink noted that there is a law in Alaska that if sidewalks are slippery and someone falls, they cannot sue if the sidewalk is no more slippery than any other in the area. This is not true of highways, and in the winter it is impossible to keep them free of snow and ice at all times in Alaska.

In response to Mr. Wright's suggestion, Mr. Holst said he could draft a compromise amendment and present it to the committee. Mr. Wright moved and asked unanimous consent that HB 54 be returned to sub-committee awaiting the proposed amendment. No objection, so ordered.

Adjourned: The meeting adjourned at 9:25 a.m.

AFTER RECESS
2:45 p.m.

PRESENT: All members. Mr. Joe LaRocca, news reporter, was also present.

BILL ASSIGNMENT Chairman Hohman called the meeting to order and assigned the following bills:

HOUSE BILL NO. 49 An act relating to electric
development loans -- Degnan

HOUSE BILL NO. 50 An act appropriating \$5,000,000
to the Dept. of Commerce -- Degnan

SENATE BILL NO. 10 Transferring funds from the
Dept. of Economic Development
to the Dept. of Natural Resources -- Hohman

HOUSE BILL NO. 291 Relating to vendor's commissions
for the issuance of fish and
game licenses and tags -- Hohman

Mr. Hogan had prepared budget worksheets and the committee discussed how the appropriation bill had been handled in the past. Mr. Warwick requested a copy of last year's bill.

Mr. Hohman announced a 10:00 a.m. meeting to be held on Saturday, March 19, for the purpose of reviewing the budget for Rural Development and the Public Defender.

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

HOUSE FINANCE COMMITTEE MEETING
March 20, 1971
1:05 p.m.

Present: All members except Mr. Fink and Mr. Warwick. Representative Martin Moore was also present.

HB 279 Chairman Hohman said the committee would consider HOUSE BILL NO. 279 (an act appropriating \$100,000 to Rural Development Agency). Mr. Moore read a resolution from the Association of Village Council Presidents regarding Head Start. Mr. Moore distributed information on the Head Start Program in Rural Alaska (see bill file). He said the \$100,000 is a relief fund. It is to be used for repair and maintenance of buildings being used for Head Start programs. Mr. Moore felt that Head Start is a fantastic program. It gives youngsters a preschool program and teaches them to be cooperative. Mr. Moore said this is especially good for young children who speak only the Eskimo language. Mr. Wright asked if the \$100,000 would be pro-rated on basis of need. Mr. Moore said yes. Mr. Wright asked how Mr. Moore arrived at the figure of \$100,000 and this was discussed. Mr. Hohman read a letter from Mr. Wiley relating to HB 279 (see bill file). The bill was returned to file and the

Adjournment:
meeting adjourned at 1:30 p.m.

HOUSE FINANCE COMMITTEE

March 23, 1971

8:45 a.m.

Present: All members with the exception of Mr. Haugen. Dennis Demmert, Project Coordinator, Alaska Totem Pole Restoration.

HB 127 Mr. Hohman called the meeting to order and introduced Dennis Demmert, who was present to explain the totem pole restoration project. He gave a brief history of the concern for restoration and noted an estimate has been placed of \$1 million on the poles now deteriorating in uninhabited villages. Some work had been done by the CCC, but this was done by workmen in need of jobs rather than artists. Mr. Demmert noted that in 1966-67 the Saturday Review published articles taking Alaska to task for disregarding the totem poles. Two years ago a survey was made of the old village sites, to decide whether or not it would be possible to move the totem poles. 44 poles were considered valuable enough to move. Now a problem is developing in vandalism, and Mr. Demmert described the destruction to a number of beautifully carved poles.

Last year a number of foundations were contacted, requesting funds for the project, but the answer was foundations generally do not get involved in capital improvements and a building is needed. Agencies were approached, but since it was shortly after the oil sale their answer was why not use part of the \$900 million. Senator Stevens did set up a good reception in Washington, where the proposal was presented, and the result is the project should be expanded to include educational value to be eligible for foundation and agency funds. EDA seems to be the most promising source for funds for a building, and Mr. Demmert

distributed copies of a letter to Representative Whittaker explaining anticipated funding (see bill file). Last year \$50,000 was received from the state, which Mr. Demmert said was not enough to do the job but was used as seed money. Prime property, near schools and bus lines, has been given by Ketchikan for a building, and the project is presently being carried on in the Alaska Native Brotherhood hall in Ketchikan. There is much interest throughout Alaska in native studies, and Mr. Demmert said they hope to pull together some good information to make an educational research facility. EDA will provide 60% of the money, or \$219,00, and 40%, or \$146,000, is requested from the state.

Mr. Haugen joined the meeting at 8:55 a.m.

Mr. Demmert continued by saying additional funds are expected and the building will serve a number of purposes: preserving the priceless, authentic art pieces; house a vocational training site; and be a tourist attraction. He said totem poles are being reproduced in South Dakota, and the market is large. Alaska is losing this industry. The Park Service made a study about three years ago and recommended three cultural centers in Alaska: one for Eskimo artifacts, one for Aleuts, and one for Southeast Alaska, which would be a branch of the State Museum. Mr. Hohman asked how many craftsmen would be employed and Mr. Demmert said the pilot project was designed for ten. Answering further questions from Mr. Hohman, Mr. Demmert said they are experimenting on time-saving methods for carving. Mr. Hohman then questioned the totem poles which were not brought in last year, of which there

are nine, and Mr. Demmert said they ran out of time last year. Additional funds will be available from the Forest Service and work will continue this year.

In conclusion, Mr. Demmert said Ketchikan is more or less the geographical center for the poles being brought in, and the uninhabited villages surround Ketchikan.

Recess: The meeting recessed at 9:10 a.m.

AFTER RECESS

4:30 p.m.

Present: All members except Mr. Wright. Dr. Davis, Acting President of Alaska Methodist University, and Mr. Dorik V. Mechau, Assistant Director of Development, Alaska Methodist University, were also present.

Chairman Hohman called the meeting to order.

CSHB 52

HB 314

He explained the committee was present to hear testimony regarding COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (appropriating \$892,100 to the Department of Education, Alaska Higher Educational Facilities Act Commission) and HOUSE BILL NO. 314 (an Act relating to state agreements with private institutions of higher education). Dr. Davis thanked the committee for their patience for everything that is going on concerning Alaska Methodist University. He said regarding HB 52 and HB 314 they did not understand all the ramifications of these bills.

Dr. Davis said he thought the University's position is that if there were any difficulties or flaws in A.S. 14.40.900 they could be handled separately from a supplemental appropriation. He said he had reservations about the open ended nature of the legislation. Dr. Davis said, however, there are limits built into the law. He said it calls for aid to the students in one section and direct aid to the institutions in the second section of the law.

Dr. Davis said they have raised their tuition \$50 per semester for next year.

Dr. Davis said the difficulty with HB 314 is the problem of defining material duplication. Dr. Davis gave an example of some of the areas of duplication. He said they have offered Russian for a long time and this year the Community College is also offering Russian. Where they could economically afford to offer this for a full class it becomes economically impossible to offer this for one-half of a class. Dr. Davis said they are working in Anchorage on this problem of duplication. Dr. Davis said he had hoped the study to be done by the Legislative Council would point out this sort of thing. Mr. Hohman asked then if Dr. Davis felt the committee's concern about the open end of this is a legitimate concern. Dr. Davis said yes. Mr. Hohman asked how Dr. Davis would amend HB 314 to make it a reasonable expression of this concern and not to minimize its detrimental effect on AMU. Dr. Davis said he could not answer as he had not had a chance to look at this. Mr. Hohman read HB 314. Dr. Davis said it seemed difficult from their point of view because with this bill there are a number of courses and programs in the Anchorage area which AMU has started and which have later been adopted by the University of Alaska and AMU would be denied support for this. He felt this would be unfair. Mr. Hohman said they had discussed on line 11 and line 12 of the bill changing the word "course" to "program". Mr. Hohman asked how Dr. Davis felt about this. Dr. Davis felt this would make it worse. He said that would cut off all their contractual aid.

Dr. Davis said he was not sure that HB 314 provided the kind of control he understood the committee wanted.

Mr. Warwick said they did not want to pay AMU for courses that the University of Alaska is offering. Their intent is to pay AMU for programs or courses that residents could not obtain at the University of Alaska. Dr. Davis felt a study might address itself to this very problem and then maybe legislation could be introduced next year. Mr. Warwick said he did not see what the Legislative Council could find out that the universities do not already know.

Dr. Davis said they have never sat down and asked what the higher education needs of the state are. He felt this could be a major goal of the study along with recommendations for appropriate legislation.

Dr. Davis said another difficulty with HB 314 is what constitutes a similar course.

Mr. Mechau referred to Mr. Warwick's statement regarding support for both universities. He said he understood that Mr. Warwick had meant this was not good business. He asked how they could look at this financially when they considered the possibility of AMU not being there. He said he did not really see the argument on a financial basis. Mr. Fink said students might go outside to school if AMU was not in existence. He did not feel it would necessarily increase the cost to the State if there was not an AMU.

Mr. Fink discussed the increased tuition. He said the projection on the budget is based on the present tuition. Mr. Fink said

from the data the committee had AMU had indicated that it cost \$3,500 a student and the State pays \$1,800 with AMU paying \$1,700. Mr. Fink said they had indicated the more students they get the more they will go in the hole. He asked if they would hit a limit. Mr. Mechau felt this was a fair statement but he pointed out that AMU has more space than the Anchorage Community College does. Mr. Mechau said he believed that President McGinnis had estimated AMU could handle an additional 250 students. Mr. Mechau felt they would have to be careful about what impact of additional enrollment would do to their costs. Mr. Fink asked of the present enrollment which students are receiving loans or grants. Mr. Fink asked if any of the students are receiving the full \$750. Mr. Mechau said the Higher Education Commission urged the schools to spread the money out as far as it would go. The suggestion was to set this at \$250 per semester. He said AMU stayed with this limit. Mr. Fink said he had talked to the Commissioner of Education and he had felt there was not any limitation. Mr. Fink said the Commissioner had \$40,000 that is not going to be used. Mr. Mechau said this is wrong. Mr. Fink asked if they felt that within the guidelines of this statute they could have used more money if it had been available. Mr. Mechau said yes and Dr. Davis said he suspected so but he had not been close enough to this to say definitely. Mr. Fink wanted to know who determined whether they make a loan or a grant. He felt the law was extremely broad. Mr. Mechau

did not know but he said because of the forgiveness basis the anticipated return of loan funds is small.

Mr. Fink asked how many students had loans. Mr. Mechau felt it was over 100. Mr. Fink asked if the Higher Education Committee decides if a student can obtain a loan or grant or if this is the decision of AMU. Mr. Davis said he was sure the Financial Aid Officer makes this decision. Mr. Mechau said that Commissioner Hartman could give the committee this information.

Mr. Warwick requested the number of loans and grants made. This is to show the people involved and whether it was a loan or a grant. Mr. Mechau said this information had been provided to David Dean, Fiscal Analyst for the Senate Finance Committee. The committee discussed the number of students who applied for a loan and the amount the university was receiving from the State.

Mr. Fink asked if they anticipated a law suit regarding the state's contribution to a private school. Mr. Mechau said the Attorney General's Office under the Egan administration had looked at this legislation of last year and did not see any problems.

Mr. Ditman asked how many students have not applied for any loans. Mr. Mechau said "not many".

Mr. Fink said in his point of view if the Community College class and the AMU class are filled up this is not duplication -- if there is only a half-class in each college this is duplication.

Dr. Davis explained the student motivation recommendation -- any student may take one course at another institution in Anchorage and it would be considered as part of their load at the home institution.

Mr. Warwick asked the total budget for this fiscal year.

Mr. Mechau said this is \$3,300,000. Mr. Warwick asked the source of funding. Dr. Davis said he could not give an exact answer for the figures but there is \$660,000 from tuition and fees, \$424,000 from federal programs and \$1,200,000 from private gifts and grants, \$24,000 from all other sources and \$500,000 from auxillary enterprises.

Mr. Warwick said this still left about a \$500,000 shortage.

Dr. Davis said this is anticipated income from A.S. 14.40.900.

Next year's budget is in excess of \$4,000,000 and Dr. Davis said the approximate breakdown is \$770,000 for tuition and fees, \$450,000 from federal, \$1,500,000 from private gifts and grants, \$30,000 from other sources, \$600,000 from auxilliary enterprises, \$295,000 for section 2 and approximately \$1,000,000 projected for A.S. 14.40.900. Mr. Warwick said it seemed if they transferred everything over to the University of Alaska the only thing that would not be costing the state would be the \$1,200,000 and \$1,500,000 from private gifts. Dr. Davis said the \$424,000 and \$450,000 come primarily in special grants to developing institutions. He said the University of Alaska has never applied for this.

The committee discussed the number of students attending the summer semester.

Mr. Fink questioned whether the teacher corps in the State Operated Schools qualify for this \$250. The committee briefly discussed this and the meeting adjourned at 5:55 p.m.

<u>Date</u>	<u>BILL NUMBER</u>	<u>TITLE</u>	<u>ASSIGN</u>
/24 - Wed. 1:30:	HOUSE BILL 66	{ Voc. Rehab supplemental)	Degnan
	HOUSE BILL 74	{ Fish & Game Supplemental)	Haugen
	HOUSE BILL 117	{ Constitutional Conv.)	Hohman
	HOUSE BILL 118	{ " " approp)	"
	HOUSE BILL 157	{ PSF program)	Wright

/25 -Thurs 8:30	HOUSE BILL 1	(Higher Education aid program)	Warw
	HOUSE BILL 68	(Highways supplemental)	Degnan
	HOUSE BILL 65	(Education supplemental)	Wright
	HOUSE BILL 170	(Reappor. Board approp)	Hohman

HOUSE FINANCE COMMITTEE

9:00 a.m.

PRESENT: All members except Mr. Wright.

Bill
Assignments

Mr. Hohman made the following bill assignments:

HOUSE CONCURRENT RESOLUTION 26 (relating to coordination of higher education policies and programs in Alaska) -- Warwick.

HOUSE BILL 167 (Provide financing and development of housing for persons of lower income, etc.) -- Warwick.

HOUSE BILL 236 (relating to local service roads and trails) -- Warwick.

HOUSE BILL 269 (appropriating to Natural Resources) -- Hohman.

HB 220

Mr. Hohman told the committee that the Speaker had requested that HOUSE BILL NO. 220 (relating to Joint State-Federal Natural Resources and Land Use Planning Commission) be referred to Resources Committee. Mr. Hohman so moved and requested that it then be returned to the Finance Committee. No objection so ordered.

Mr. Hohman set up the following schedule for the House Finance through next Monday:

CORRECTION

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

HOUSE FINANCE COMMITTEE

9:00 a.m.

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Mr. Hohman told the committee that the Speaker had requested that HOUSE BILL NO. 220 (relating to Joint State-Federal Natural Resources and Land Use Planning Commission) be referred to Resources Committee. Mr. Hohman so moved and requested that it then be returned to the Finance Committee. No objection so ordered.

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	HOUSE BILL 65	(Education supplemental)	Wright
	HOUSE BILL 170	(Reappor. Board approp)	Hohman

HOUSE BILL 71 (" " ") Wright
HOUSE BILL 75 (" " ") Degnan

/26 - Fri. 8:30 HOUSE BILL 110 (legislative intern program) Wright
HOUSE BILL 226 (Court System supplemental) Warwic

/26 - Fri. 1:30 Department of Education - State Operated School
BUDGET REVIEW, continued

/27 - Sat. 2:00 Joint Senate & House Finance and HWE committees -
School teachers -- Superior Court Room

/29 - Mon. 1:30 HOUSE BILL 106 (State employees pay raise) Fink
HOUSE BILL 159 (extending ESC - state emp) Warwic

dendum:

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SB 10

Mr. Hohman moved and asked unanimous consent that the committee consider SENATE BILL NO. 10 (transferring funds from Dept. of Economic Development to Natural Resources, Agricultural Revolving Loan Fund).

No. objection so ordered.

Mr. Hohman explained that \$125,000 was appropriated last year to Economic Development for the purpose of upgrading the slaughter facilities. Mr. Hohman read a letter from Dale Wallington, Deputy Commissioner of Natural Resources stating that "...Because of the Wholesome Meat Act, the Federal Government slaughter on

Kodiak Island would have been discontinued without the aid of this facility. Subsequently, it was found that the Division of Buildings, Department of Public Works, could not construct the slaughter facility in time for this upcoming slaughter season. Also, it was determined that Economic Development did not have authority for constructing such a facility..." (See page 181 for copy of this letter).

Mr. Hohman then read from a memorandum dated January 26, 1971, to Mr. Herbert, Commissioner of Natural Resources from Mrs. Ryan, Commissioner of Economic Development, stating that Mr. E.W. Bunes had advised Mr. Tom Kelly on October 14, 1970, "...that it would be administratively impossible to transfer the \$125,000 Capital Improvement appropriation to Natural Resources. Inasmuch as the State was to own and lease the facility there would be three sequential steps which must be taken in order to culminate the project..." (See pages 182-183 for copy of this memorandum.) Mr. Fink raised several questions that pertained to handling loans, and the legality of this kind of transaction. The committee then decided that they would consider this bill later in the day when possibly Senator Kay Poland could testify.

Meeting recessed at 9:45 a.m.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER / POUCH M - JUNEAU 99801

WILLIAM A. EGAN, Governor

March 19, 1971

The Honorable George Hohman
Chairman, House Finance Committee
Alaska State Legislature
Juneau, Alaska 99801

Dear Representative Hohman:

For your records, the \$125,000 requested to be transferred from the Department of Economic Development by HB-10, was appropriated to construct a slaughterhouse in Kodiak. Because of the Wholesome Meat Act, the Federal Government slaughter on Kodiak Island would have been discontinued without the aid of this facility.

Unfortunately, the past Legislature appropriated the money to Economic Development rather than to the Department of Natural Resources. Subsequently, it was found that the Division of Buildings, Department of Public Works, could not construct the slaughter facility in time for this upcoming slaughter season. Also, it was determined that Economic Development did not have authority for contracting such a facility. In order to expedite matters, land for the Kodiak slaughterhouse was made available by the City of Kodiak and the Department of Natural Resources agreed to loan the Kodiak Livestock Association sufficient monies to construct the facility from the Agricultural Loan Fund. It was deemed necessary to do this since Mr. Joe Beaty had invested some \$30,000 of his own money in obtaining equipment and construction material in order to complete this facility on time.

Those legislators interested in this undertaking have agreed to sponsor a bill transferring the money from Economic Development to the Agricultural Loan Fund for this purpose. The loan will be from a special-controlled account under the administration of the Loan Administrator and will not be considered a part of the capitalization of the Agricultural Loan Fund.

Very truly yours,


Dale Wallington
Deputy Commissioner

MEMORANDUM

State of Alaska

870.20

TO:

Chuck Herbert, Commissioner
Department of Natural Resources

DATE : January 26, 1971

FROM:

Irene E. Ryan, Commissioner
Department of Economic Development

SUBJECT: Kodiak Slaughterhouse

The following is a chronological listing of circumstances pertaining to the Kodiak Slaughterhouse facility:

- 3-25-70 Kodiak Stockgrowers Association met with members of Senate and House concerning the proposed project. Mr. Ray Manning, Legislative Council, drafted proposal for inclusion of funds in the Department's FY 1970-71 appropriation.
- 4-1-70 Department conducted economic feasibility study and cash flow analysis.
- 4-28-70 Department forwarded memorandum to Governor's Office outlining the need for the new facility and recommending that the State complete the project and enter into a lease-purchase agreement with the ranchers. The disposition of the requested appropriation was to be discussed.
- 5-6-70 Letter from Governor Miller to House and Senate Finance Committees calling for the appropriation of \$125,000 for the stated purpose.
- 6-19-70 Notice of FY 1970-71 appropriation of \$125,000 to the Capital Improvements program for the Department was forwarded to Division of Buildings.
- 7-13-70 Memorandum from T. E. Kelly to E. W. Bunes suggested transferring the appropriation to the Agricultural Revolving Loan Fund which would change the State's involvement from one of ownership and lessor of the project to one of loaning the appropriation to the Stockgrowers' Association.
- 7-14-70 It was determined that the Senate had not recorded minutes of the subject discussion; the House Committee did not discuss the project; Budget & Management had no mention of legislative intent; the Governor's Office had no additional stipulations for the appropriation.

MEMORANDUM: Chuck Herbert
January 26, 1971
Page Two

- 7-22-70 Borough of Kodiak executed quitclaim deed for the land upon which the project was to be completed, transferring title to the State.
- 8-12-70 Hubbard visited slaughterhouse site and returned to Anchorage to recommend that the appropriation be made available to the Loan Fund within the Department of Natural Resources.
- 9-8-70 Kodiak Livestock Co-op (name changed from Kodiak Stockgrowers Association) contracted with Lewis J. Beaty to supervise all activities pertaining to the erection of the slaughterhouse.
- 10-14-70 E. W. Bunes advised T. E. Kelly that it would be administratively impossible to transfer the \$125,000 Capital Improvement appropriation to Natural Resources. Inasmuch as the State was to own and lease the facility there would be three sequential steps which must be taken in order to culminate the project.
- 10-21-70 Department of Public Works was notified of the above situation and that it would be necessary for the facility to be constructed under the supervision and at the direction of the State.
- 11-3-70 The National Bank of Alaska, Kodiak, was advised that the State would subsequently contract with Beaty for the construction of the facility and was assured that financing costs incurred because of State caused delays would be paid by the State.
- 11-?-70 A meeting with Public Works, Natural Resources and Economic Development deemed that the purpose and intent of the appropriation dictated that the project proceed expeditiously and with all due process. It was suggested and affirmed that the Agricultural Loan Fund Board consider the project with the knowledge that the Legislature would be requested to transfer the \$125,000 appropriation from Economic Development to reimburse the Loan Fund. Certain members of the Legislature affirmed this proposal and an enabling bill was pre-filed.

In summary, the appropriation was made to the Department with the intent that Public Works would administer the project. Due to the time limitations dictated by the Federal Wholesome Meat Act, the project was commenced by the contractor using his own capital and resources. Inability to transfer a capital improvement appropriation between departments resulted in the suggestion that the Agricultural Loan Fund be utilized as an interim method of financing the project. Fund stipulation calling for first deed of trust for loan security has halted action.

The purpose and intent of the appropriation was to provide an approved slaughter facility to serve the cattle industry of Alaska, particularly on Kodiak and adjacent islands. Keeping this in mind, I am confident that acceptable fiscal arrangements can be made.

AFTER RECESS
1:45 p.m.

Present: All members except Mr. Fink. Senator Kay Poland, Representative Edward Naughton and Earl Hillstrand.

SB 10 Mr. Hohman called the meeting to order and asked the witnesses for testimony on SENATE BILL NO. 10 (An Act transferring funds from the Department of Economic Development to the Department of Natural Resources, Agricultural Revolving Loan Fund). Representative Naughton said the bill is essentially just transferring money from the Department of Economic Development to the Agricultural Revolving Loan Fund due to an error in funding during the last session. He said it is merely a housekeeping chore. A slaughter-house is scheduled for construction in Kodiak this year and an individual there has already expended \$30,000 of his own money in order to have the materials ready for the construction season. New federal regulations by the Food & Drug Administration covering processing of meat are so stringent that a new facility is a must. Each rancher is now doing his own slaughtering, which no longer meets the Department of Agriculture requirements. Mr. Ditman asked if this was a loan or a grant and Senator Poland said it was a loan. Mr. Naughton said the building must be completed by August of September. Mr. Hohman asked if this had any relationship to the Aleution Association who received funds and Senator Poland said no, but some of the ranchers on the Aleutians will bring their stock to this proposed slaughter-house.

Mr. Fink arrived at the meeting at 1:50 p.m.

Mr. Naughton repeated it was a mistake last year to put the funds in the Department of Economic Development and this bill would merely

be an accounting transfer. Mr. Haugen said the money was appropriated in free conference last year, and since Economic Development can't enter into a loan agreement, the money should be transferred to Natural Resources. Senator Poland said the ranchers do not want a grant, just a loan, and the time element is critical to build during the construction season. Mr. Fink noted the loan fund is a revolving account, and why is a bill necessary to make a loan. When the finance committee heard testimony from Natural Resources, the Agricultural Loan Fund had \$160,000 in the loan account, and they could make the loan from these funds. Mr. Fink asked if the association has applied for a loan from the fund, and Senator Poland answered she did not know. However, the ranchers did come down to the session last year to request the funding. Mr. Hohman said the committee would check on this. Senator Poland asked if the bill would not ear-mark the funds for the Kodiak project, and the committee said no, the money would just go into the loan fund.

Mr. Hohman asked if there were any more questions of the witnesses and asked for any more statements. Mr. Naughton concluded that the bill must move as expeditiously as possible, because if the slaughter-house is not built this year it will be the end of this industry in Kodiak. Further information will be requested from the Department of Natural Resources, said Mr. Hohman, and he moved and asked unanimous consent to return the bill to sub-committee. No objection, so ordered.

Mr. Hohman then asked for testimony on COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 52 (Appropriating \$892,100 to the Department of Education, Alaska Higher Educational Facilities Act Commission) and HOUSE BILL No.

CSHB 52
HB 314

314 (An Act relating to state agreements with private institutions of higher education)

Present:

All members. Dr. Davis, Acting President of Alaska Methodist University, and Mr. Dorik V. Mechau, Assistant Director of Development, AMU, Representatives Edward Barber, Mike Colletta and Earl Hillstrand. Mr. Davis' opening statement was as follows: "We have tried to seek answers to your questions, but some details are missing. Our main concern continues to be HB 52, and I have little knowledge of HB 314. Tabling the bill had nothing to do with our being in town, because we didn't even know about HB 314 until arriving in town. We have prepared a short statement for the committee with respect to HB 52, also HCR 26. (Mr. Davis then distributed copies of a memorandum, attached, pages 196-197.) The study which may come from HCR 26 may show the state should not provide for private school education, but we are willing to accept any conclusions. The study may not turn out to our benefit and we recognize that risk. One of the reasons we are in favor of HCR 26 is that everyone may have their say - legislature and educational institutions. An independent survey may provide good advice from an outside party. Four advantages are listed in the memo: 1) would pull all educational institutions together; 2) clarify packages of financial assistance for students; 3) show other states' regulations and alternate ways of aid to higher education; and 4) relationship between public and private institutions. Perhaps private education does not have anything to offer. The concluding paragraph recognizes the need for close inspection of its programs and financing relating to needs of Alaskan students. AMU would welcome this type of study and assume Sheldon Jackson would take the same view. We have worked

through the years to reduce duplications and this study may show results. We are in general accord with the position this committee has taken as it is not appropriate to offer duplicate sources to students. It is perhaps unwise to spend public funds in duplication of efforts. These are my feelings at the present time."

Mr. Hohman called for questions from the committee, but there were no questions at this time.

Mr. Davis then reviewed briefly the financial recap which had been distributed to the committee (attached, pages 198-199.)

Mr. Hillstrand asked what portion of the total of Chapter 230 about grants and loans is being talked about and Mr. Davis said three parts of the total package under Chapter 230, scholarship grants and loans. Mr. Mechau has further information on this. Mr. Davis continued that the figures given in the report now speak to the other section of the act, an amendment dated last year which provided for contractual services. Two main phases of Chapter 230, scholarship grant and loan and contractual. Under contractual there are two parts, equal educational opportunity and direct payments to the institutions to help defray the total cost of overhead. The first section relates to tuition equalization where a student can come to a private institution or the University of Alaska at the same cost, since the state pays the difference in tuition. The contractual services provides for \$250 per student.

Mr. Hillstrand then asked about CSHB 52 where a total of \$950,⁰⁰ was indicated as the amount involved, and Mr. Hohman said the committee substitute reduced the amount at the suggestion of Mr. Mechau and requested a breakdown. Mr. Hogan provided him with a copy of the

breakdown.

Mr. Davis again referred to the financial recap and said speaking now only to the contractual agreement, the first line shows the eligible students and the payment that would come under the contractual services account for last summer's students. 28 possible fee differential arrangements during last summer have gone into the figures and six different overhead cost differentials based on whether students are full-time, part-time, under-graduate, graduate, etc., and the overhead differentials are similar because there are different prorations. Mr. Davis said these figures are based on a head count, and he didn't want these figures to be final, but they are based on approximately 300 students. Some students enrolled for different amounts of credit and therefore appear twice, enrolled in pre-session and main session. For this fall, there are 19 possible fee differential arrangements on tuition and the same six overhead differentials, again depending on whether or not they were full-time, part-time, graduate, under-graduate, day, late afternoon, or evening students. Adjustments based on late registration and drop-outs were not available. In answer to Mr. Ditman's questions about how the figures were calculated, Mr. Davis provided exhibits used to arrive at the final figures. Returning to the recap figures, Mr. Davis said some are based on actuals through March 31, others are estimated figures, and are subject to change based on actuals for the spring semester.

Mr. Fink left the meeting at 2:30 p.m.

Mr. Davis said the first page shows a grand total which is actually an academic year total. The second page gives estimates. Mr. Davis said he hoped this explained discrepancy to Mr. Ditman and

he answered it did. Mr. Mechau added this is a complicated approach to computing figures but it was not by choice. The figures were not intended to be complicated, but they are based on the provision of the catalog, and on a fiscal year rather than an academic year. The committee questioned who decides whether a student receives a grant or a loan and Mr. Davis was not able to answer. Mr. Mechau said there didn't seem to be a distinction as to a grant or loan, since the amount is given the university in a lump sum. He believed the financial loan advisor makes the decision. In answer to another question, Mr. Mechau said funds from last year were used for the grants and loans provided this year. Mr. Davis added that at any point in time in the fiscal year the amounts are changeable, since they rely on reports from financial advisors at the institutions. Figures given were very recent, and based on information received the first of March. Last year for the first time there was an amendment which provided for financial assistance through loans to Alaskan students who wished to go to out of state schools, with a maximum of \$750 per student. \$250,000 was not adequate to take care of the applicants. Mr. Mechau said he didn't know what estimates went into this figure, but it was recognized immediately that \$250,000 was inadequate. The Higher Education Commission met in August to review the situation. Reports were prepared following the end of the first semester as to funding and it was decided that few or no loans would be approved at \$750, and loans should be held down to \$500 per student to have the money last longer. AMU did this and the University of Alaska and Sheldon Jackson varied on their policy. The first semester it was reported

that 24 of 172 students received the full \$750 amount, but Mr. Mechau did not know the breakdown. It was also estimated that had additional funds been available, another 75 students could have been enlisted at the University of Alaska. Senator Chancy Croft and constituents believed there was a problem in insufficient funding and asked the financial assistant for the Senate Finance Committee to gather information. Mr. Mechau has submitted a report to Mr. Dean, which indicated the belief that 50 additional students would apply at AMU if there were funds available.

The allocation of the \$250,000 had been as follows: University of Alaska \$97,700, Alaska Methodist University \$62,500, Sheldon Jackson \$7,600, and loans for schooling outside of Alaska \$82,200. Mr. Mechau continued that on the basis of reports received following the first semester the funding of \$82,200 for out of state students was too high. Mr. Thomas is on top of that situation and has a balance of about \$40,000 in that fund, of which \$10,000 could be utilized by AMU and \$30,000 by the University of Alaska. This brought the total allocation to: University of Alaska \$127,700, AMU \$72,500, Sheldon Jackson down to \$5,000, and loans outside of Alaska \$44,800. Mr. Hohman noted that 75 students at the University of Alaska had requested aid and \$30,000 was allocated; whereas 50 students had requested aid at AMU and received only \$10,000.

Mr. Warwick questioned the report he had requested yesterday on the number of loans and grants and asked how many students qualify. Mr. Mechau said approximately 400 at AMU and Mr. Wright said 2300 at the U of A. Mr. Mechau said it does not depend simply on being a resident, other criteria applies, but he is at a disadvantage

since the financial aid officer left AMU.

Mr. Wright said the program started with strictly scholarship loans, now talking about loans and grants, and the program is really a hybrid. How are loans and grants separated? Mr. Davis said this point was questioned in No. 2 on the memorandum he prepared, and it is a gray area which needs to be examined. Mr. Davis said it is not clear in his mind as to the answer to the question. Mr. Wright said the Commissioner of the Department of Education said they have no control over the funds after distribution and Mr. Mechau said perhaps the financial aid officers make an arbitrary decision. Mr. Davis added the philosophy has been to get from each student the individual data with respect to student's resources for going to college and try to work out a reasonable package of aid. Students receiving BIA support are different from students living in Anchorage, other scholarships may be available, etc., and many factors enter into selection. Mr. Warwick said, in view of this, how do you bring in equalization. This is a different program, a contractual service, and a separate section of the statute with nothing to do with grants and loans. Mr. Haugen said the original bill was for in-state students, but Dr. Wood and Senator Begich got an amendment added to the package. Mr. Haugen continued that HB 314 should go out with CSHB 52, and he believed the finance committee was absolutely fair in requesting this. Representative Colletta said he could perhaps enlighten the committee, since he is a member of the Health, Welfare & Education committee and has heard quite a bit of testimony on the bill. He said the Chairman of the committee had brought witnesses back a number of times because

he had a hang-up with regard to the contractual clause. At one meeting it was extremely fortunate that Helen Beirne was in attendance and she confirmed the fact that last year the free conference committee did basically what Mr. Haugen said. The discussion with Mrs. Beirne alleviated fears in Mr. Colletta's mind since she stated the section was put in with the hopes that no one would pay much attention to this, with the idea that the legislature would not fund a large scholarship and loan bill. Now everything is thrown out of focus because it is not known where scholarship grants and loans begin and contractual services begin. It has a bad effect on the students to provide duplicate education funds, and the state is spending an extra \$1 million to fund schools. In essence, the state is actually putting in \$1.2 million - contractual arrangement plus the scholarship and loans - yet the students only have available \$250.

Mr. Mechau said they appreciated the concern of the legislators about students who wished to go elsewhere for education, but there wasn't much money used. He did not know the reasoning, but \$82,200 was originally allocated to this and it is only anticipated to use a little over half. Possibly the demand is not there. Mr. Haugen said take the WICHE program, and continued with an example of a student from Petersburg who could not receive adequate financing to attend a medical school out of state. Other students have been refused admittance due to the lack of reciprocity arrangements with other states, and he felt the bill should be re-written. Mr. Wright said the Bradner bill would provide a loan of up to \$600/year. Mr. Wright asked if it was not possible for a student to get a grant plus a loan for a total of about \$2,000. Mr. Mechau said part of the concern is

the relationship between programs, and the honest answer is we don't know. Their best guess is that once tuition equalization goes into force, there will be a falling off in grants and loans. Mr. Davis added it was logical that if the contractual services portion of the bill was funded, there would be little use for scholarship grants and loans, but Mr. Mechau said they really don't know what the implications will be.

Mr. Mechau said the subject of recent newspaper articles has been the federal guarantee loan fund through local banks, which are supposedly available to any qualified student. In recent years these funds have been out of the reach because of banks' unwillingness to get involved due to poor return on their money. Many students were turned down. The situation is now changing, however, and Mr. Mechau said this will have an effect on loans and grants. Mr. Wright said if he had the choice between a loan and grant, he would take a grant.

In answer to a question from Mr. Ditman, Mr. Mechau said students are delinquent to the extent of \$91,000. Also there are tuition remissions which school has given to students, totalling about \$20,000. Mr. Wright asked if the forgiveness policy and the tuition remission were about the same and Mr. Davis said the effect is the same as a scholarship or grant. The university cancel the tuition.

Mr. Hohman asked how much money is anticipated to be adequate for student loans and grants. Mr. Mechau said AMU has been very straightforward on amounts - all awards made were \$250 per semester. His computations would indicate that if every student needed \$750 and a maximum based on the number of students and need was placed on the fund, a total of \$586,750 would be required. However, there are many

variables in this estimate. Mr. Mechau continued by saying Mr. Warwick had questioned the split between grants and loans, and there is almost a 2 to 1 ratio of loans to grants. The University of Alaska split was much more even, but of course this doesn't speak to the fundamental issue. Mr. Hohman questioned what figure he would suggest to meet the need - \$586,000? Mr. Mechau said he would have to hedge a little bit. He doesn't know what data was available last year when the decision was made for \$250,000. By August of last year there didn't seem to be any question in the mind of the financial aids at each institution that the amount was inadequate, but Mr. Mechau said he does not know what his decision would have been last year. Mr. Hohman then brought up the current problem, and asked if the additional \$40,000 there is adequate funding to meet the need at present. Mr. Davis said part of the problem is that after students have made arrangements and fees, it is a little difficult to go back and reprogram tuition arrangements in the middle of the semester. The reallocation came too late, and Mr. Davis suspects that none of the institutions will use the full amount. It doesn't mean the need was not there at the beginning of the semester. Very often students wait until they see what their summer earnings were and then make application for funds. Mr. Mechau said the material furnished Mr. Dean supported the fact that students don't apply if funds are not available, and if funds had been available more applications would have been filed. Mr. Hohman said newspaper articles have suggested AMU's financial problem is very critical, and without funding the doors would be closed. The testimony given today indicated that it is a serious problem, but not that serious. If funding was provided by the middle of April, would the problem be solved? Mr. Davis said it probably

would, but it is very difficult to know what the impact of the failure of HB 52 would have on the financial status of the university. AMU has tried to be as honest as possible with regard to current defects, and there is a cash flow problem as well as a deficit problem. The immediate need for funds is necessary to solve the cash flow defect, because the budget anticipated receiving those funds. The university has started a national campaign, and hope it will produce significant funds from the private sector; however, these are slow in coming. It is possible a cash gift may be received which would resolve the problem. Mr. Davis explained no one will accept the presidency without knowing the status of the university and no foundation will grant funding unless they know if HB 52 is passed. Loans are now out at banks which could be called at any time and creditors may demand payment at any time. HB 52 would provide assistance for the immediate pinch, but Mr. Davis said they recognize that this is not the answer to the problem. A broad financial base must be built for the institution. The failure of the bill would possibly close the doors of the institution, but passage would certainly ease the situation. Mr. Hohman said we are not looking for defeat of the bill in this committee, but we don't feel that will solve all your problems.

Mr. Hohman then asked the situation with respect to the nursing program and the federal loan. Mr. Davis said two applications have been made, one to a private foundation and one to the Public Health Service. He spoke to Washington on Monday and it sounded as if their attitude was favorable. It looked as if AMU's application was being processed, but the results should be known this week or next week, and he felt optimistic.

Recess: The meeting recessed at 3:45 p.m.

ALASKA METHODIST UNIVERSITY

March 24, 1971

TO: House Finance Committee

FROM: William E. Davis, Acting President, AMU

SUBJECT: H.B. 52 and related matters

Alaska Methodist University recognizes the concerns of the members of the House Finance Committee with respect to H.B. 52 and agrees that these concerns not only must have open discussion but also must lead to corrective steps to improve the contractual services portion of SLA Chap. 230. Since this is the First Session of the Seventh Legislature, there should be time before the convening of the Second Session to weigh the many factors involved in public support of private education and to arrive at sound recommendations for improvement.

Since the target date of FY 1973 appears a reasonable one, an approach which provides for full funding of 14,409,000 for FY 1971 and FY 1972 and the introduction of appropriate restrictions with FY 1973 is certainly acceptable at this time to AMU.

H.C.R. 26 calls for a study which should provide appropriate input for legislation in the Second Session. As presently worded all concerned parties are represented: the legislature through the Council and the higher educational institutions. In addition, the use of dispassionate, objective experts would provide balance to the parties who will certainly be concerned for their own best interests.

The advantages of the proposed study are several.

1. Alaska needs to consider public policy relating to all dimensions of state support for higher education. To date no concerted effort has been made to do this and it is long overdue. The accrediting agency for Alaskan institutions, the Northwest Association of Secondary and Higher Schools, has expressed its concern in this connection and has warned of the detrimental effects to all of Alaskan higher education if appropriate steps are not taken to clarify policies and improve collaborative planning between institutions.

2. The amendments establishing the contractual services did not specify the relationship of the contractual services payments to other forms of student financial aid. Although the Higher Education Commission has established regulations for all sections of SLA, Chapter 230, consideration needs to be given to the total "package" of financial assistance available to Alaskan students and to the effectiveness of existing legislation in this regard.

3. Collection and analysis of state legislation and regulations pertaining to aid to private higher education in some 54 or more states would serve to provide perspectives which may be of significant value to the legislature and institutions.

4. Implications of the long-term relationships between public and private institutions must be studied. If the private schools offer something of real value to Alaska for the future, they should be considered essentially a part of the fabric of public concern and responsibility; if not, public assistance is unjustifiable.

Alaska Methodist University clearly recognizes the need for close inspection of its programs and financing as they relate to meeting the needs of Alaskan students. We would welcome the analysis that would come with a properly conducted study. Nor is the University opposed to the orderly expansion of public education. We have sought over the years to reach an accomodation in the Anchorage area that would reduce duplication of programs and courses and will continue to pursue this goal. There is no advantage for either the public or private sector of higher education to needlessly duplicate the educational offerings when our resources are so limited.

ALASKA METHODIST UNIVERSITY

March 21, 1971

**-ARTICLE 11. CONTRACTUAL AGREEMENTS
WITH PRIVATE INSTITUTIONS OF HIGHER EDUCATION
SECTION 14.40.900**

	Section 14.40.900 Paragraph #1	Section 14.40.900 Paragraph #2	Total Section 14.40.900 Paragraph 1 and 2
Academic Year 1969-70:			
Eligible Students Enrolled June 29 through August 23, 1970	\$ 10,226.50	\$ 25,403.81	\$ 35,630.31
Academic Year 1970-71:			
First Ten Months - Sept 70 through June 71.			
Eligible Students Enrolled			
Fall Semester 1970-71 Academic Year			
Full Time - Undergraduate	233,350.00	89,750.00	323,100.00
Part Time - Graduate and Undergraduate	9,616.11	13,489.03	23,105.14
Full Time - Graduate	1,785.00	750.00	2,535.00
Fall Semester - Subtotal	<u>244,751.11</u>	<u>103,989.03</u>	<u>348,740.14</u>
Amount Previously Reported Based Upon Preliminary Data	254,977.61	129,392.84	384,370.45
Net Adjustments Based Upon Final Data for Fall Semester:			
Late Registration	4,337.00	1,916.60	6,253.60
Other Adjustments	248.73	(227.06)	21.67
Final Amount for Period June 29, 1970 through January 29, 1971	<u>259,563.34</u>	<u>131,082.38</u>	<u>390,645.72</u>
Preliminary Data for Spring Semester 1970-71: Based upon actuals to date. Final amounts will not be available until after the 4 week term begins in May.			
Full Time - Undergraduate	235,950.00	90,750.00	326,700.00
Part Time - Graduate and Undergraduate	5,313.50	10,291.25	15,604.75
Full Time - Graduate	1,200.00	500.00	1,700.00
Spring Semester - Actuals to Date	<u>242,463.50</u>	<u>101,541.25</u>	<u>344,004.75</u>
Estimated Additions During the Spring Semester	8,000.00	11,000.00	19,000.00
Estimate - First Term of Summer Semester, Month of June 1971	<u>7,000.00</u>	<u>17,000.00</u>	<u>24,000.00</u>
Preliminary Data and Estimates for Period February through June 1971	<u>257,463.50</u>	<u>129,541.25</u>	<u>387,004.75</u>
Fiscal Year Ending June 30, 1971	<u>517,026.84</u>	<u>260,623.63</u>	<u>777,650.47</u>
Fiscal Year 1971-72:			
Last two Months of Academic Year 70-71: July and August 71.	<u>12,000.00</u>	<u>30,000.00</u>	<u>42,000.00</u>
GRAND TOTAL -			
June 29, 1970 through August 31, 1971 Actuals and Estimates	<u>\$ 529,026.84</u>	<u>\$ 290,623.63</u>	<u>\$ 819,650.47</u>

See attached schedules for details and individual listings. Final data will be compiled as quickly as it becomes available.

Max G. McGaughy
Max G. McGaughy
Business Manager
3/21/71
3/24/71

ALASKA METHODIST UNIVERSITY

March 21, 1971

ARTICLE 11. CONTRACTUAL AGREEMENTS
WITH PRIVATE INSTITUTIONS OF HIGHER EDUCATION
SECTION 14.40.900

ESTIMATES

	<u>Section</u> 14.40.900 <u>Paragraph #1</u>	<u>Section</u> 14.40.900 <u>Paragraph #2</u>	<u>Total</u> <u>Section</u> 14.40.900 <u>Paragraph 1 and 2</u>
FISCAL YEAR 1971-1972:			
<u>Academic Year 1970-1971:</u>			
July 1, through August 31, 1971	\$ 12,000.00	\$ 30,000.00	\$ 42,000.00
 <u>Academic Year 1971-1972:</u>			
<u>FALL SEMESTER:</u>			
Full Time - Undergraduate	316,400.00	113,000.00	429,400.00
Part Time - Graduate and Undergrad.	14,116.00	16,196.00	30,312.00
Full Time - Graduate	2,380.00	1,000.00	3,380.00
Fall Semester Subtotal	<u>332,896.00</u>	<u>130,196.00</u>	<u>463,092.00</u>
 <u>SPRING SEMESTER:</u>			
Full Time - Undergraduate	316,400.00	113,000.00	429,400.00
Part Time - Graduate and Undergrad.	14,116.00	16,196.00	30,312.00
Full Time - Graduate	2,380.00	1,000.00	3,380.00
Spring Semester Subtotal	<u>332,896.00</u>	<u>130,196.00</u>	<u>463,092.00</u>
 <u>SUMMER SEMESTER - FIRST TERM ONLY:</u>			
Month of June 1972	<u>8,000.00</u>	<u>19,000.00</u>	<u>27,000.00</u>
TOTAL - FISCAL YEAR 1971-1972	<u>685,792.00</u>	<u>309,392.00</u>	<u>995,184.00</u>
 FISCAL YEAR 1972-1973:			
<u>Academic Year 1971-1972:</u>			
<u>SUMMER SEMESTER - MAIN AND POST TERMS:</u>			
July 1, through August 31, 1972	<u>14,000.00</u>	<u>34,000.00</u>	<u>48,000.00</u>
TOTAL -ACADEMIC YEAR 1971-1972	<u>\$ 687,792.00</u>	<u>\$ 313,392.00</u>	<u>\$1,001,184.00</u>

Max G. McGaughey 3-21-71
Max G. McGaughey ✓
Business Manager
Alaska Methodist University

AFTER RECESS

4:45 p.m.

Present: All members. Senator Poland and Representative Naughton were also present.

SB 10 Chairman Hohman called the meeting to order and said the committee would continue their discussion of SENATE BILL NO. 10 (transferring funds from the Dept. of Economic Development to the Department of Natural Resources).

Mr. Hogan reported that he had talked to Mr. Snodgrass and there remains between \$50,000 and \$60,000 in balances that are subject to loan in the agricultural loan fund. However, they are reserving this balance for anticipated seed and fertilizer and certain emergency contingency funds.

Mr. Hogan said that the loan fund is not a true revolving fund. As far as selling papers and having a cash access this fund is not handled the same way as the Veterans' fund.

Mr. Hogan said they do have a 6 per cent interest limitation and right now the Department of Revenue is buying at 6 1/2 per cent and is not interested in their papers.

Senator Poland said according to information they received from Commissioner Herbert they have an application for the Kodiak Livestock Association and it has been approved.

Mr. Fink requested a letter from the Dept. of Natural Resources stipulating the nature of the loan.

Mr. Hohman directed that a letter be written to Commissioner Herbert asking him to state that this loan will be granted if

the funds are transferred from Economic Development to Natural Resources and that the loan will be made to the Kodiak Livestock Association for purposes of constructing a slaughter facility on Kodiak Island. Mr. Hohman thought this letter should be on file in case there is any misunderstanding on this.

Mr. Haugen said he understood the loan would be paid back in five years, and Mrs. Poland said these people hoped to pay it back in five years but were asking for ten years.

Mr. Fink then moved and asked unanimous consent that SENATE BILL NO. 10 be reported out of committee with a "do pass" recommendation. There being no objection it was so ordered. A committee report will be attached to the bill when it goes to the floor. (See page 202.)

Adjournment: The committee adjourned at 5:00 p.m.

HOUSE FINANCE COMMITTEE REPORT


ON

SENATE BILL NO. 10

The committee on finance has had Senate Bill No. 10 under consideration and a majority of the members of the committee has recommended that it do pass. However, the committee wishes to make a brief statement concerning the bill part of the record.

The Department of Natural Resources, in a letter dated March 19, 1971, has assured the committee it has "...agreed to loan the Kodiak Livestock Association sufficient monies to construct the facility (a slaughterhouse in Kodiak, built to standards of the Federal Wholesome Meat Act) from the Agricultural Loan Fund... the loan will be from a specially controlled account under the administration of the Loan Administrator and will not be considered part of the capitalization of the Agricultural Loan Fund."

The committee wishes to emphasize that the appropriation transfer is approved with the understanding that it does not represent an increase in the capitalization (now at the \$5 million level) of the Agricultural Revolving Loan Fund.


Rep. George Hohman, Chairman
House Finance Committee

HOUSE FINANCE COMMITTEE

8:30 a.m.

PRESENT: All members. Mr. Gregg Erickson from House Resources Committee was also present.

HOUSE BILL
1

Mr. Warwick moved and asked unanimous consent that the committee consider HOUSE BILL NO. 1 (Alaska higher education aid program). No objection so ordered. Mr. Erickson was present to testify, in favor of HB No. 1. He felt Alaska had suffered from lack of local expertise and when they do get it, it has usually been from outside consultants who are well meaning but do not understand Alaska social problems. Therefore, these people are not capable of giving the complete answers to Alaskan problems. Mr. Erickson believes that this bill will very quickly assist in alleviating this. There are a lot of people who have gone through four years of college and have spent time working and then, according to Mr. Erickson, discover their talents lie elsewhere and want to continue their education. In the meantime, they have acquired families, as a rule, so it becomes difficult financially. He cited himself as a good example and he would like to go on and get a doctorate in economics; however, he has a family so it will be difficult. He could do it without this bill but there are others he didn't seem to think could.

Mr. Erickson suggested that the section on grants be deleted. He felt it should be a loan fund and in this manner it would turn over rapidly because the money would be paid back. He believed the low interest rate was desirable for those returning to Alaska but suggested that the interest for those not returning should be at the going rates charged by the banks. He saw no reason why someone not returning to Alaska should have the benefit of 8%

loan. The state should not subsidize a program for people who do not return. Mr. Erickson thought the amount of money requested in the budget was \$160,000. Mr. Hohman didn't think it was in the budget; he said the amount on the fiscal note was \$153,000. Mr. Erickson thought this would be sufficient to fund the program for the next two years because he didn't feel enough people would apply the first year; however, by the second more would be aware of its existence. Mr. Erickson explained that these prospective borrowers should be carefully screened and those interested in pursuing an education in a field that was in short supply in Alaska should receive first consideration. For example, lawyers are plentiful, but the need for psychiatrists are great and therefore they would be more likely to return to Alaska.

Mr. Hohman was worried that without collateral those leaving Alaska for good might not repay the loan. Mr. Erickson said most people with higher education are considered good risks by banks and he doubted if the state would have any problem collecting the money.

Mr. Warwick referred to the grant section of the bill and said a person borrowing the whole amount would only have to pay back 60 percent if they stayed in Alaska. Mr. Erickson again emphasized that section should be deleted. A person with an advanced degree should be able to command a good salary and he could see no reason why they shouldn't pay back the whole shebang.

Mr. Erickson then left the meeting.

Mr. Fink commented that he was not in favor of HOUSE BILL NO. 1. If they are going to have an austerity budget they should help

people graduate the first time. Mr. Hohman thought if the grant section was taken out it would be a good program because the money would be paid back. Mr. Fink did not feel he could justify it as long as other needs were not being met.

Mr. Hohman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 65 (appropriating \$1,529,300 to the Department of Education.) No objection so ordered.

Mr. Wright said an error had been made by Department of Education in the original computation and that the amount for pupil transportation should be \$893,300 instead of the \$1,211,300 shown in the bill. He said the state is "stuck" with this because it is a legitimate obligation of the state, but what griped him was that there was a surplus under PSF of \$822,000 and instead of applying it against a legitimate bill such as this, the department shares the surplus with each district on a pro rata basis. The overfunding of this program came about because the districts overstated their enrollment.

Mr. Wright said his recommendation on HOUSE BILL 65 is that they fund the transportation portion but not the debt service. Mr. Wright said that according to the formula for debt service it was overfunded since it was only supposed to be funded at 90 percent. He said with the additional \$318,000 they are asking for, they would then have 100 percent funding. It was not the intent of the legislature, according to what Senators Ray and Croft had told Mr. Wright. The statute states it will pay 50 percent of debt service for the districts and legislature had no intention of fully funding this.

HOUSE
BILL
65

Mr. Wright said another solution would be to not fund the debt service portion any further and take the \$822,000 overage in PSF out of fiscal year 1971-72 budget and in that way the districts will be getting the \$822,000 in advance.

Mr. Warwick wondered if the schools who incurred the overage are the same ones that want the additional debt service and Mr. Wright said yes, and that Anchorage is the one school who will be getting the biggest share of this. He said they could juggle this enrollment around every year and come out with extra funds. Mr. Fink pointed out that the more inefficient they are the bigger the profit.

Mr. Wright read the amendment from Health, Welfare and Education Committee, which was to delete the \$1,211,300 for pupil transportation and insert \$893,300. Mr. Hohman wanted a letter from Department of Education saying they made a mistake and then the committee would come out with a committee substitute.

Mr. Fink suggested that the committee introduce a bill to lapse the overfunding under the PSF program so this wouldn't happen in the future. Mr. Hogan told the committee there were two ways to approach it. They could write a bill repealing 14.17.225 (c) and (e) which would eliminate the provision providing for pro rata distribution of overages, or, they could just add the repealer on another bill on the same subject.

Mr. Fink asked that a bill be drafted and introduced, then if there was an opportunity they could add it to another bill. Otherwise they would try to get this through. Mr. Hohman directed that the bill be drafted for introduction by the Finance Committee.

Mr. Hohman also asked that a committee substitute be prepared for HOUSE BILL NO. 65 that would conform to Mr. Wright's suggestion of \$893,300 for pupil transportation, and that would also delete the debt service retirement.

Mr. Fink said, with reference to the debt service, that the legislature had funded this at \$1.8 million last year and had no intention of fully funding it with a supplemental. It was a bonus in the first place. Mr. Fink said in the 1971-72 budget it is fully funded at 50 percent, and that in the present budget they were only \$318,000 short of full funding. Mr. Hohman said HOUSE BILL 65 would be held pending the drafting of the committee substitute.

Mr. Degnan moved and asked unanimous consent that the committee consider HOUSE BILL NO. 68 (appropriating \$1,168,000 and \$114,000 to Department of Highways). No objection so ordered.

It was noted that in Section 1, the \$1,168,000 is for capital improvements, and \$114,000 in Section 2 is supplemental request for flood damage at Hyder.

Mr. Hohman and Mr. Wright read from the various letters provided by Highways (see bill file) concerning the \$50,000 for the South Fork Lodge. Mr. Hogan pointed out that Anchorage Complex and Petersburg Maintenance Station had been funded in last year's budget and had been taken out in the bill (HOUSE BILL 226) requesting the lapsing of certain capital improvement projects that had been funded in the appropriation bill (Ch. 250, SLA 1970). The \$134,000 for the Fairbanks Complex is for paving and seeding. Mr. Warwick commented there wasn't anything there to seed, and Mr.

HOUSE
BILL

Mr. Haugen thought maybe they wanted to plant climbing roses.
Mr. Wright said he had an appointment with Department of Highways to discuss some other matters so he would also go into this bill, and in particular ask for a memorandum on the South Fork Lodge.
Mr. Ditman noted that the state owns a great deal of land in that area and he could see no reason for buying a building that is only standing because "it doesn't know which direction to fall."
There being no further discussion on HOUSE BILL NO. 68, it was returned to files until Mr. Wright obtains more information.
Mr. Hohman announced that the meeting scheduled with State Operated Schools was postponed until Tuesday, 1:30 p.m.
Meeting recessed at 9:55 a.m.

AFTER RECESS
1:55 p.m.

Present: All members. Commissioner Easley and Mr. Kaldor, from the Department of Public Works were also present.

HB 70 Chairman Hohman called the meeting to order and informed the committee Commissioner Easley was present to discuss HOUSE BILL NO. 70 (an Act appropriating \$400,000 to the Department of Public Works).

There was \$200,000 in the bill for the Fairbanks International Airport East Access Road. Mr. Warwick said last year \$150,000 had been appropriated for this. This year they were requesting an additional \$200,000. He asked if the intent of the \$150,000 was to finish the road. Mr. Easley said the \$150,000 did not include paving. He felt the total cost of \$350,000 is a fair figure for that type of construction. Mr. Warwick questioned the status of the road. He asked if this additional \$200,000 will be enough to finish the road. Mr. Easley said yes. Mr. Warwick requested a letter indicating this be sent to the committee. Mr. Warwick requested this letter include what property was purchased and if the purchase of the property was included in the original \$150,000.

Mr. Warwick asked about the \$50,000 study of the airport.

Mr. Easley said this study has not been produced -- they will have an interim report in May. He said the intent of this is to have a master plan and this will include location for the runway.

Mr. Warwick questioned the \$200,000 requested in the bill for the Anchorage International Airport Maintenance Complex.

Mr. Easley said this should be \$500,000 as they will also have to appropriate the F.A.A. funding of \$300,000.

Mr. Warwick asked what the reason for this supplemental is and Mr. Easley said he could not answer this. He said this type of thing is normally carried in the capital improvement portion of the budget.

Mr. Warwick said the Department had indicated they needed funding for the Maintenance Complex for early construction. He asked if this also applied to the East Access Road. Mr. Easley said if they have construction on this during this summer they will need the funds before July 1.

Mr. Wright asked where the dividing line is regarding roads between the Department of Highways and the Department of Public Works. Mr. Easley said there is a very narrow line. ^{if both departments are involved} He explained that they have one contract and in most cases it is funded separately (by Highways and Public Works).

Mr. Fink asked if they need a parallel runway in Fairbanks.

Mr. Easley said they do not need this right now. In order to become a class two airport they have to have parallel runways or two runways. Mr. Easley explained that part of the master plan that is being developed is to determine the growth of Fairbanks. He said the single runway is not adequate to accommodate that growth. Mr. Fink asked when they anticipate needing another runway. Mr. Easley said probably within 10 years. He said in the event they find Fairbanks has not grown

they will still have the value of the land.

Recess: The meeting recessed briefly at 2:10 and was called back to order at 2:20 p.m.

Mr. Warwick left the meeting.

Mr. Fink asked if they feel they have to build an additional runway in Fairbanks because they built one in Anchorage.

Mr. Easley said he hoped not. Mr. Fink asked if he felt there was any pressure to build this runway at Fairbanks. Mr. Easley said there is always pressure but they granted this on the basis of need in Anchorage and there has not been this need in Fairbanks yet.

Mr. Wright questioned why this appropriation for the Anchorage Airport should be \$500,000 instead of the \$200,000. Mr. Easley said the normal procedure is for the state to appropriate the entire amount and then they are reimbursed by the federal government after they have spent the money. This was briefly discussed.

HB 71 The committee discussed HOUSE BILL NO. 71 (appropriating to the Dept. of Public Works \$15,000 for the Glenallen Maintenance Station). This bill is to provide funding for Dept. of Public Works to reimburse its costs to winterize the old Highway Garage Site Water System in the fall of 1970. Mr. Ditman asked if they have a man from the Divisions of Buildings doing this and Mr. Kaldor said this is correct. Mr. Fink asked who this is serving and Mr. Ditman explained there is no water -- this is the only well. Mr. Easley explained that this is included in the Division of Buildings budget for next year.

Mr. Fink asked why they couldn't use the water from the State Operated School and Mr. Easley said he did not know the capability of the school. Mr. Ditman said the school did not have enough water. Mr. Fink asked if the State was doing this anywhere else and Mr. Easley said no. Mr. Ditman asked if there would be any lapse in the Department's budget.

Mr. Easley said they could absorb this \$15,000 in their budget. He said they could cut out some project that has not been accomplished. Mr. Hohman asked if they need this supplemental and Mr. Easley said yes.

HB 75 The committee discussed HOUSE BILL NO. 75 (appropriating \$118,000 for overtime and salary at Anchorage and Fairbanks International Airport). Mr. Easley said this bill has been withdrawn. He read a letter from Commissioner Henri stating there were funds to cover this in his budget.

The committee discussed how the firefighter situations was being handled. Mr. Easley said they would be on a normal 40 hour week and this would involve 2 1/2 hours a week of overtime on a routine basis. Mr. Easley said this would cost more and Mr. Fink felt the 40 hour basis would cost less. Mr. Fink asked the Department for a list of projects that would involve the native land claims. This is to include projects for which permits have been granted. Mr. Fink also requested the committee be furnished a list of how many of the projects planned for 1972 and 1973 will be affected by the native land claims.

Mr. Easley said it takes six months to get release from this freeze. Mr. Hohman said he thought there was legislation that would speed up this process.

Mr. Fink also requested that Mr. Easley review the runways listed in HB 228.

In answer to Mr. Wright, Mr. Easley said there is a federal trust fund and out of this fund there are three types of funds -- primary highways, secondary highways and interstate highways. He said Alaska has received money for primary and secondary highways but never for interstate. Now they have received \$40,000,000 and \$31,000,000 will be used on primary and secondary highways and the other \$9,000,000 will be used on the ferry system. This \$9,000,000 is to be for construction of two small ferries to operate in Alaska.

Mr. Wright asked if this \$40,000,000 is above what Alaska has already received and Mr. Easley said yes.

Mr. Wright asked if the state could use any part of this to build bush roads. Mr. Easley said if the bush road would qualify under the Federal Aid Highway Act. This would require that a secondary road be on a school bus route or on a mail route and it must be connected to another federal aid route.

Mr. Easley said he did not think it was the congressional intent to spend it on bush roads.

Mr. Haugen asked about the Gruening Bill and Mr. Easley explained this is a totally separate act.

Mr. Easley explained that the State of Alaska turned this money down. It was offered in 1962 and the State turned it down and then when they attempted to get it back it was too late.

Mr. Hohman asked if Mr. Easley felt the congressional intent behind the \$40,000,000 is that it could be used to build village roads to go from the village to the airport. Mr. Easley said he could not state this for sure. Mr. Hohman asked if Mr. Easley would be the person to clarify this intent for the committee. Mr. Easley felt they should talk to Commissioner Campbell about this. Mr. Hohman asked if Mr. Easley could provide the airports in House Districts 14 through 19 that have federal funds invested in them. Mr. Easley said he was not sure that federal funds would be a requirement for this.

Recess: The meeting recessed at 3:00 p.m.

AFTER RECESS
3:25 p.m.

All members present except Messrs. Wright and Degnan.

HB 117 Mr. Hohman said the committee would hear testimony from Mr. DeMan regarding HOUSE BILL NO. 117 (an act concerning a constitutional convention).

Mr. DeMan issued copies of a report he had prepared regarding this (see bill file). They had received proposals from the cities of Anchorage and Fairbanks and Mr. DeMan discussed the pros and cons of each (see bill file for comparison of facilities).

Mr. Hohman asked what cost was involved. Mr. DeMan said the total cost for Fairbanks is \$712,000. The cost for Anchorage is \$712,000 plus an additional amount of \$19,400 for a total of \$731,000.

Mr. Fink noted that Mr. DeMan's reports were talking about the convention being held during October through January. He wanted to know if the Constitutional Hall at the University would be available any time. Mr. DeMan said the availability of space had been for this time period. He said they would have to go back and discuss this with the University if there is going to be a change in time.

Mr. Hohman said he felt the committee should look over the report in its entirety before they made a decision.

Mr. Hohman said he thought the opinion on this bill is that it should be passed in the event the recent court decision is overturned.

Mr. Warwick asked if there had been any consideration of holding the convention in Juneau. Mr. DeMan said this had been included originally; however, Juneau has no accommodations that would be large enough for meeting halls. He said the legislative chambers are not large enough.

Adjournment: The meeting adjourned at 4:00 p.m.

HOUSE FINANCE COMMITTEE

March 26, 1971

9:00 a.m.

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

HB 70

Mr. Hohman called the meeting to order. Mr. Warwick moved and asked unanimous consent to bring HOUSE BILL NO. 70 (An Act appropriating to the Department of Public Works) before the committee. No objection, so ordered. Mr. Hohman said this bill has been amended to include an additional \$300,000 Federal fund appropriation in a Committee Substitute. Mr. Warwick moved and asked unanimous consent that CS HB 70 be reported out of committee with a "do pass" recommendation. No objection, so ordered, and the bill was unanimously signed do pass. Messrs. Degnan and Wright arrived at the meeting at 9:05 a.m.

365

Mr. Fink moved and asked unanimous consent to bring HOUSE BILL NO. 365 (An Act relating to the public school foundation program) before the committee. No objection, so ordered. This was a bill drafted by the finance committee. Mr. Fink moved and asked unanimous consent that HB 365 be reported out of committee with a "do pass" recommendation. No objection, so ordered, and the bill was unanimously signed do pass.

Recess: The meeting recessed at 9:15 a.m.

AFTER RECESS
2:40 p.m.

Present: All members. Representative Frank Peratrovich.

HB 127

Mr. Hohman called the meeting to order and said Representative Frank Peratrovich was present to testify on HOUSE BILL NO. 127 (Appropriating to the Office of the Governor, Alaska State Museum). Mr. Peratrovich said this bill is almost an exact copy of the one introduced last session, but he understands the funds last year were used for Ketchikan and Wrangell. He still felt that the totem parks in Saxman Park, Hydaburg and Klawock should be appropriated funds, since the totem poles in these parks are originals and should be preserved as tourist attractions. The communities did receive some funds from oil companies, used to obtain wood preservatives, but the poles need to be redecorated and repainted. Representative Peratrovich said Jane Wallen's report said the work should be contracted, but there are artisans in the local communities who could do the work, he believe Mr. Haugen could not understand why the totem pole parks did not receive any of the money allocated last year, and Mr. Peratrovich said they received nothing; Jane Wallen had spent the money in Ketchikan.

Recess: The meeting recessed at 2:50 p.m.

AFTER RECESS

3:30 p.m.

- 52 Mr. Hohman moved and asked unanimous consent that Finance CS FOR HOUSE BILL NO. 52 (appropriating \$892,100 to Department of Education for higher education) be reported out with a "do pass" recommendation.
- Mr. Fink objected, and said he wanted HCR 26 to be on the calendar on the same day as HB 52.
- Mr. Warwick said he wanted HB 52 to show how much each school would be receiving, and added that he would be signing "no recommendation."
- Mr. Fink removed his objection.
- Mr. Hohman said the allocation to AMU and Sheldon Jackson is part of the committee report and disagreed with Mr. Warwick's request to incorporate it in the bill. He then withdrew his original motion and moved and asked unanimous consent that Finance CS FOR HB 52 be reported out with individual recommendations.
- All signed "do pass" with the exception of Messrs. Haugen and Warwick who signed "no recommendation."
- HCR 26 Mr. Hohman moved and asked unanimous consent that the committee adopt Finance CSHCR 26 (coordination of higher education policies, etc.) in lieu of HCR 26 and it be reported out with individual recommendations. CSHCR 26 was reported out with unanimous "do pass" recommendation.
- HB 127 Mr. Hohman then moved and asked unanimous consent that HOUSE BILL NO. 127 (appropriating \$45,000 to the Office of the Governor -- totem poles) be reported out with "do pass" recommendation. No objection so ordered.
- Mr. Warwick said he wondered if Mr. Peratrovich wasn't standing

alone on this since he wanted to leave the totem poles in their natural setting while Mr. Demmert wanted to move them into Ketchikan. Mr. Ditman explained that the totem poles that Mr. Demmert wanted to take to Ketchikan were those that were in deserted villages that were being vandalized or rotting away. Representative Peratrovich wanted to preserve the ones in Hydaburg where there are people there to take care of them, and Mr. Ditman saw no conflict. Dr. Hartman, Commissioner, Department of Education, and Mrs. Betty Young, Supervisor for the higher education program appeared before the committee to discuss problems related to disbursement of higher education loans and grants.

Mr. Fink wanted to know who determines whether an individual merits a scholarship or grant. Dr. Hartman said that for those students "in-state" it was done by the university involved, i.e., University of Alaska, Alaska Methodist, Sheldon Jackson or the various community colleges. These are handled by the loan officers in these institutions and the loan officer decides on the basis of need, other assistance, and criteria provided by the student via a loan application. This loan officer is aware of other scholarships (of which there are many) that the student may have.

Mr. Fink wanted to know if the loan officer determined the amount and Dr. Hartman said, yes, up to \$750.

Mr. Fink wanted to know Dr. Hartman's reaction to wiping out the "grant" section of this legislation. Dr. Hartman said that personally he was more in favor of the loan program than the grant program. He felt the grant left no responsibility on the part of the student. Dr. Hartman reminded the committee that this was initially a loan

program and the grant section came in last year's legislation.

Mr. Fink thought that most of the committee members felt as he did that the decision on awards of these grants and loans should be done by the state and not the schools involved. The purpose of this program is to aid the student and not the college, and Mr. Fink was perplexed by why they need to use an allocation system.

Dr. Hartman said the allocation system has been used in an effort to keep a handle on overexpenditure. The department assigns an allocation to each school, then they re-check in February to see if more funds are needed. The department then reassigns funds if one school has more than it needs, and another is in need.

Mr. Fink asked if there was any reason why the department couldn't approve these loans instead of the loan officers.

Dr. Hartman estimated that there are at least 100 to 150 various scholarship programs and only the loan officer knows how much a student gets from other programs so he felt it would be a real problem for his department to keep track of this.

Mr. Fink wondered if the department couldn't insist that they get a letter of recommendation from the college they are attending.

Dr. Hartman pointed out that they already do that for loans outside the state but that it slows up the process in terms of communication. In schools outside the state, according to Dr. Hartman, the loan officer must assess the student's application to see if they have other income, etc. Mrs. Young said it takes two to four weeks before they receive these reports from the loan officer, then this goes to several people in the department who review it and make the final decision on the award. The individual is notified, sent a