

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2513

note to sign and the first installment on the loan; to qualify for the second installment the loan officer must certify that the student is in good standing and eligible for the next payment and then the second note, etc., is again forwarded to the student.

Mr. Fink brought up the subject of helping students who want to go into vocational education.

Dr. Hartman was enthusiastic about this and said he recommended to the Governor that this program be expanded to vocational schools outside of the state. Very little is spent in the area of vocational and technical training and Dr. Hartman was very much in favor of going this route.

Mrs. Young said they had received applications from students but since these schools are not accredited according to the way the law is written, these students are not eligible.

Dr. Wright asked if this could be amended to include vocational schools. Dr. Hartman said yes it could and he had written one and had it ready.

Mr. Fink asked how much they would have to increase the amount of funds to cover vocational schools. Dr. Hartman thought they would just have to guess but he also felt it should be equal to what they are giving college students. He said it might be too much the first year but ultimately it would balance out.

Mr. Fink remarked that AMU indicated they could use a lot more than what they're getting. Dr. Hartman said that depends on what the loan officer says is a financial need. These loan officers, according to Dr. Hartman, interpret financial need differently, so he wouldn't agree that there hasn't been enough.

In answer to Mr. Haugen, Dr. Hartman said that AMU used one-half of

the loan money available and their enrollment is much less than the University; however, their tuition is much higher so they have a reason to grant more loans because more students do need help. Mr. Fink noted that most of the money at the University of Alaska is used for grants. Dr. Hartman said when the commission met, they tried to differentiate between grants and loans and they finally decided to make it 50 - 50, but prior to that meeting a loan officer had already made verbal commitments to certain students on grants, so that effort fell through and that explains why there were more grants than loans.

Mr. Fink emphasized that he would like to see the department get out from allocations. The present law does not provide for this, and he said it did not provide for it because those legislators involved in drafting the original legislation, including himself, did not intend for it to go this route. He asked what it would take to change the rules and get away from this. Dr. Hartman said they would just put the responsibility back into the Department of Education, which would in turn be the Commission on Higher Education. This would cause the department to develop regulations based on legislative intent but he stressed that it would be a real logistic problem. Mr. Fink reminded him they are already doing it in outside schools. Dr. Hartman said the time element is the big factor that he thought would be difficult to overcome; however, he said it could be done but it would take a staff member full time to keep it operative. Mr. Fink said the intent of this legislation was to aid students in going to school wherever they wanted to go and it does not take anything away from the schools to make it a grant instead of a loan program.

Mrs. Young said she had recently attended a meeting of loan officers in Anchorage and the idea was to work up a package for the student. The University receives information on various scholarships such as PTA, BIA, work-study programs, etc., and what they do is work up a package for the student whereby they can determine the amount of the loan needed. It is based on how much additional is needed after they receive the other grants, in order to stay in school. Some students do not qualify for certain programs, e.g., BIA, but they do have financial need, and the loan officers have statements the students must fill out. It all gets quite complicated and involved in deciding how much a student should receive. On the application, the student must list their college expenses and sources to meet this need.

Mr. Wright wanted to know why it would be any more difficult for the department to make the decision. Dr. Hartman said it could be done but the loan officers do live a lot closer to the students and know more of what is going on. He felt the department would have to have a more comprehensive application and it would have to provide for consistency that doesn't now exist.

In answer to Mr. Fink, Dr. Hartman said that with freshmen, the information is obtained from high school principals and their records.

Mr. Fink wanted to know how much money they would need, if the department handled it all, to do a responsible job.

Mr. Fink said he would like to see the legislature fund it so that any student that was in need could go to this source for assistance.

Dr. Hartman said they would definitely use the \$250,000 this year and they are now reviewing all of the new applications and he was

not sure if any of these would be weeded out. The outside program is new so the demand would grow, he felt, as more people became aware of it. Mr. Fink asked if he could carry to the Commission on Higher Education the idea that the legislators do not like the allocation system. Dr. Hartman said he would tell them, but he didn't know if he could convince them that it must be done that way. In reply to Mr. Haugen, Dr. Hartman said the loans are forgiven at the rate of \$750 (or in the amount of the loan) for each year the student stays in Alaska after graduation. None of it has to be paid back if they stay in Alaska. Mr. Haugen disagreed with this and he thought it should be paid back regardless of whether they stay or not. Mr. Wright and Mr. Fink agreed with Mr. Haugen and both stated they did not like the grant portion of this legislation. Dr. Hartman said it could be removed by amendment.

After some discussion pertaining to constitutionality of helping private institutions and the lack of control over these funds, Dr. Hartman suggested that maybe different amounts should be established for those attending private institutions, those attending public schools, and a different rate for students going outside of the state.

Mr. Haugen again stressed that this should revert to a loan program and Dr. Hartman said if it did, then they would not have to put a lid on it. What they could have is a state guaranteed loan program, and let the banks handle the paper work. In other words, the student borrows from the bank and the state guarantees it, and it is repaid over a period after graduation. Many states, Dr. Hartman said, have this type of loan program up to \$1,000 a year. The state

of course could go higher, but regardless of the amount, Dr. Hartman said it could be strictly a loan program. He thought it would be the best program in the long run but did not think there was time to get legislation in this year. He said the U.S. Office of Education had had this type of program, but this requires involvement on the part of the banks. Dr. Hartman said the problem with this in Alaska has been that the banks have to do the paper work and so they have not been interested. He had discussed the possibility with Mr. Wohlforth, Commissioner of Revenue of making banks do it by limiting the amount of dollars deposited with the banks as to the amount of participation they would go on this kind of loan program for students.

HB 266 Dr. Hartman distributed to the members copies of the sick leave regulation for teachers (see pages 227 and 228).

Mr. Haugen reminded the committee that HB 266 (authorizing teacher sick leave banks) would be up for reconsideration on Monday. The committee then discussed the proposed sick leave bank for teachers. Mr. Fink asked how much sick leave a teacher could draw and Dr. Hartman explained this would be up to the local school boards to set a limit. Mr. Wright felt that after a year or so of operation they could determine within \$10,000 of what this program would cost. Mr. Fink said if there was a 180-day limit then one teacher could draw this much. Mr. Wright pointed out 180 days would be a limit for the bank, not for a teacher. He said if the school board had a limit of 180 days and three or four teachers used the amount that was budgeted this would be all that would be available. No other teacher could receive this after the limit was used.

Mr. Fink felt this program could be expensive and Mr. Ditman pointed out they could not receive any more days other than what was in the bank. Mr. Fink felt that next year the approach could be that one person received so much sick leave and it was not fair that another person did not receive it so therefore they would request more funding. He felt that next year the state employees might also request a sick leave bank. Dr. Hartman agreed that this could go "wild." He said it could even increase the instructional unit. He felt to guard against this they should set limits in the law that no teacher could draw more than 20 or 50 days in any given year. They could also limit the amount of the bank. Mr. Haugen felt no matter what the good intent of this program is, it is possible that it could go on and on.

The committee briefly discussed this and adjourned at 4:55 p.m.

(d) In section 30 of this chapter, a "chief school administrator" is an administrator who has full administrative control of a school district.
(Err.)

Authority:

4 AAC 15.040. SICK LEAVE. (a) All the regularly contracted certificated personnel working full time in the state are entitled to accrue up to 12 days sick leave with pay during the school year. Sick leave may be cumulative without limit and accrues at the rate of one and one-third days per school month with the last day of each month, the major portion of which the employee has served, considered the sick leave accumulative date.

(b) Cumulative sick leave earned by a teacher in an Alaska public school (including any school operated by the department under terms of a contract) is transferable to any other public school, if the teacher's service is continuous. Continuous service means service up to the last day of a school year and beginning before the end of the first school month in the next school year. A teacher cannot use accumulated sick leave at the beginning of a school year unless the teacher has begun his teaching contract, except in unusual or extreme circumstances requiring treatment by a physician, and/or including hospitalization, of at least five consecutive days in the district or attendance area or enroute to the teaching assignment. In cases not covered by 4 AAC, the commissioner may exercise discretionary authority. Responsibility for furnishing the new employer with a certified statement showing cumulative sick leave rests with the teacher. Teachers who are on an approved leave of absence may retain cumulative sick leave for a one-year period.

(c) Death in the immediate family entitles the teacher to three days sick leave, except that if the circumstances of death in the immediate family require travel outside the state, the teacher is entitled to five days sick leave.

(d) District boards for district schools, and the board of directors for state-operated schools may promulgate written bylaws providing for additional use of accumulated sick leave for emergency purposes. These emergencies shall be related to the health and welfare of the teacher or the immediate family. No emergency leave bylaws are valid until filed with the department.

(e) A teacher who resigns her teaching position for reasons due to pregnancy is not entitled to cumulative sick leave due her. Any school days missed because of pregnancy is leave without pay.

(f) Deduction from pay for absence on account of illness in excess of the number of days of sick leave already earned shall be refunded at the end of the school year in accordance with the sick leave time that has accrued by the year.

(g) A teacher absent from school on sick leave for more than three days shall submit to the chief school administrator, in the case of district employees, and to the director, state schools, in the case of state-operated school employees, a doctor's certificate, but this requirement may be waived if in the judgment of the chief school administrator or the director it seems expedient and just to do so. In the case of emergency or sudden illness where medical service is not locally available, reasonable travel time to the nearest competent medical service, not to exceed three days, is allowed as sick leave.

(h) A false statement by the teacher regarding sick leave is sufficient grounds for cancellation of the contract and the revocation of the teaching certificate. (In effect before 7/28/59; am

Authority:

AS 14.07.020(1)
AS 14.07.060
AS 14.07.100

AFTER RECESS

4:35 p.m.

HB 159 Mr. Frank Cashel, Director Employment Security Division, Bert Finley, ESD, and Kellus Sewell, Fiscal Analyst, all from the Department of Labor, and John Carter, Employees' Association, were present to testify on HOUSE BILL NO. 159 (extending employment security coverage to employees of the state).

Mr. Finley said this bill was by the Governor, and that it is on a reimbursable basis where the state will reimburse the fund in the amount of the benefits. He then introduced Mr. Sewell and explained he was the Unemployment Insurance Actuary responsible for the fiscal analysis of HB 159. Mr. Sewell presented the committee with a written presentation (see pages 234-239) of this analysis.

Mr. Fink commented that a person pays tax on \$7,200 even if his salary goes up to \$20,000 and he said he did not understand the rationale of limiting the tax to \$7,200. He noted the benefits were the same, whether you earned \$5,500 or \$20,000. Mr. Sewell said if state employees had been covered in 1960, this would have been a 3.5 percent tax that would have been sufficient until about 1970, then they would need 4 percent. People are earning more money now than they were 10 years ago. Mr. Fink was trying to make the point that they are charging more than what the benefit would be. Mr. Sewell said that Table 2 in his presentation (see page 237) is based on the \$7,200 salary. Mr. Sewell said if more workers are brought into the labor force, there is an increased cost. As an example, he said in 1965, 40 percent of the work force made more than \$5,500 and in 1970, 60 percent made more than \$5,500, so this will bring benefit costs up.

Mr. Fink could not understand why the benefit cost would go up if they pay the same rate. Mr. Sewell said the weekly benefit changes and goes up in amount, up to a salary of \$5,500. Mr. Finley said a lot of people make less than \$5,500 a year so this does fluctuate. Mr. Fink wanted to know why the state should pay on a reimbursable basis and not take a share of the overhead. Mr. Sewell said the one percent administration costs of this program is paid by federal funds. Mr. Fink wanted to know if state funds then are used strictly for employees. Mr. Finley said yes, if it is used on a reimbursable basis. Mr. Finley pointed out, in reply to another question by Mr. Fink, that a person in private industry is in business to make a profit as opposed to state and local governments which are considered nonprofit entities. For that reason the state just pays benefits but no additional.

Mr. Sewell noted that the philosophical reason is that Congress allows this reimbursable to all nonprofit corporations and this is why state government is eligible. Mr. Sewell said the administration feels that the savings involved (approximately \$364,000) will reap a greater return somewhere else than to be put in a fund that in a sense subsidizes private industry.

Mr. Fink said if it is done this way and then the state has heavy unemployment, private industry would be doing the subsidizing. The profit ratio would go up. Mr. Sewell said it would still be on a reimbursable basis and would not cost private industry anything. Mr. Fink meant if the state were on a tax base. Mr. Sewell felt it was purely academic and that if the budget was cut and a big layoff should happen, this would be reflected in the state payroll and then they could be assigned a higher rate, same as they do in private

industry.

Mr. Warwick pointed out that the bill did not spell out what happens in the case where a person had been working for the state and then private industry and then finds a job. If a person draws unemployment until his rights run out, it is clear but if he does obtain a job before the unemployment runs out it doesn't show what happens.

Mr. Sewell said it was the Attorney General's feelings that regulations would be established where allocation of benefit costs could then be established. They are treating this the same way as HOUSE BILL NO. 304 (relating to employment security -- also by the Governor). When a person is drawing on combined wages, e.g., from the state of Washington, then in Alaska, nothing has been established yet in the way of regulations.

HB 304

Mr. Warwick said he did not understand on the fiscal note (see bill file) showing general funding of \$725,900 and federal receipts of \$5,900, why so little federal money.

Mr. Fink said part of the \$725,900 was actually federal funds since it is a matching program and an acceptable expense. Mr. Sewell said this figure was estimated back in January, and he referred to Table 4 (page 238) which reflects the net total cost of \$910,000 less 25 percent, which would be the \$725,900. A certain percentage of that is also federal funds.

In answering a question by Mr. Warwick, Mr. Sewell referred to Table 5 (see page 239) which he said is based on a calendar year, and in this way they can do more up-to-date statistics and thus make better predictions.

Mr. Warwick asked what the total cost of HOUSE BILL NO. 304 would be to the state. Mr. Sewell thought it would run less than \$100,000

and referred to his closing statement in the analysis: "...In addition to the above costs to the state, we have estimated that costs will not exceed \$100,000 in 1972 for institutions of higher education (University of Alaska)." (See page 239.)

Mr. Sewell said his statistics show a \$17,500,000 payroll for the University of Alaska but their cost rate is considerably less so total cost of the program is budgeted at \$900,000 of which he thought \$75,000-\$100,000 would be cost required to cover state hospitals and institutions, and that of higher education. He said this is required in HOUSE BILL NO. 304.

Mr. Carter of the State Employees' Association said he would like to make a brief statement in support of the bill, particularly in view of the present financial "crunch" and the possibility that it could get worse. Mr. Carter didn't feel that unemployment would ever become a big problem with state employees because even before the oil money came in, Alaska had never gone backwards in the number of employees. State employees have had low unemployment rate, but Mr. Carter stated, there are those who are unemployed so they have chosen to put HOUSE BILL NO. 159 high on the priority list because next year or the year after, people could be hit by unemployment. It does not give a great deal of benefits to the state employees but the Association, according to Mr. Carter, has tried to set up priorities and this is one that was chosen to be high on the list.

Mr. Wright asked how high. Mr. Carter said the priorities are as follows: 1) state employees pay raise (HB 106); 2) longevity (HB 32); and, 3) unemployment coverage (HB 159). Mr. Finley told the committee that all federal employees are covered under the

reimbursable basis, and also former servicemen. Mr. Carter said the Association supports the reimbursable concept of this bill, not only because it would save the state money, but also because the more money the state has available, the more benefits they might be able to get for state employees.

With reference to federal employees' coverage, Mr. Sewell thought the committee should give some thought to the fact, even though it is a small group of people, that such federal employees as BIA are being transferred to state service and presently lose unemployment benefits in the transfer. He felt that even though it is a small segment, that it is important also for that reason.

There being no further questions, meeting adjourned at 5:35 p.m.

3/26/71

QUANTITATIVE ANALYSIS OF
FINANCING UNEMPLOYMENT INSURANCE COVERAGE
FOR STATE GOVERNMENT WORKERS

Alaska is one of 36 states providing some sort of coverage, either mandatory or elective, for state and local government. As of January 1, 1971, 10 states provide mandatory coverage for state workers and two states provide ^{mandatory} mandatory coverage for both state and local government workers. Many states have passed laws this legislative session covering both state and local government workers. Washington, presently under a budget crunch resulting from recessional conditions, recognised the need for unemployment insurance protection during such economic conditions and passed coverage effective February 1 in their P.L. 91-373 conforming bill.

1969 AND 1970 EXPERIENCE

In 1969 and 1970, respectively, \$55,860 and \$70,659 in benefits were paid to former employees of two state agencies, Marine Transportation and Employment Security.

Both agencies pay taxes and are experience rated as any other covered employer. The Employment Security Division has the most favorable experience paying taxes in the lowest tax bracket (rate class one), where the employer tax is 1.5 percent and the employee tax is .3 percent on wages up to \$7200.

The Marine Transportation Division had less favorable experience paying taxes in the middle tax bracket (rate class five) where the employer tax is 2.9 percent and the employee tax is .6 percent.

Both divisions contributed \$145,139 in 1969 and about \$165,534 in 1970. Almost 70 percent of wages were taxed in 1969 and declined to about 62 percent in 1970. The decline was largely due to the pay increase effective

July 1, 1970. The decline in the taxable to total wage ratio over a period of years shows quite dramatically the amount of wages which continually escape taxation as more and more workers earn more than the limited \$7200 tax base. The average taxable to total wage ratio for all industries in 1970 was about 70 percent. The lowest ratio for any major industry was about .60 for the mining industry. In 1970 the combined employer and employee "effective" tax on "total" wages was about 1.8 percent (1.5 for employer and .3 for employee).

When benefits are expressed as a percent of "total" wages, the 1970 experience shows a benefit cost rate equal to about .8 percent. The average cost rate of ten states which cover some or all government employees is .55 percent. Costs range from .1 to .7 percent. Hawaii, who has covered both state and local government workers since July 1959 had a 1969 cost rate of about .3 percent.

Comparing the benefit cost rate, .8 percent to the "effective" contribution rate, 1.8 percent, shows that the State of Alaska and its employees contributed 1.0 percent on total wages more than the cost of benefits. This means for every \$1 paid out in 1970 about \$2.34 was paid in.

EXPECTED COSTS IF THE LAW WERE IN EFFECT IN 1970

We have estimated for budgetary purposes that the likely benefit costs would be 1.0 percent of the total state payroll in 1970 (\$91 Million) or about \$900,000. We have estimated after consultation with the Department of Administration that about 25 percent of the cost would be shared by the federal government as a result of federal funding received by various agencies.

TWO TYPES OF FINANCING

The State could participate in the program as any other employer and pay employer and employee taxes based on the State's experience rated payroll or could participate on a reimbursable basis. Of the ten States which presently provide mandatory coverage of state government workers, all participate on a reimbursable financing basis.

The expected tax rates on a 'regular' financing basis and the benefit costs on the 'reimbursable' basis are shown in the following table as a percent of total wages. The estimated percent of total wages taxed is 69 percent.

TABLE 1

COSTS BASED ON TOTAL PAYROLL

Regular Basis 1/

<u>Tax Rate</u>	<u>Least Likely</u>	<u>Likely</u>	<u>Most Likely</u>
Total	1.8	1.5	1.2
Employee	.3	.3	.2
Employer	1.5	1.2	1.0

Reimburable Basis

Benefit Cost Rate	1.3	1.0	.8
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1/ On a regular tax basis the "least likely", "likely", and "most likely" cases correspond to the assignment of taxes in rate classes 3, 2, and 1 (AS 23.20.290), respectively.

TABLE 2

COMPARATIVE RATES BASED ON TAXABLE PAYROLL

Regular Basis

<u>Tax Rate</u>	<u>Least Likely</u>	<u>Likely</u>	<u>Most Likely</u>
Total	2.6	2.2	1.8
Employee	.5	.4	.3
Employer	2.1	1.8	1.5

Reimbursable Basis

<u>Benefit Cost Rate</u>	1.9	1.4	1.2
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OUR RECOMMENDATION

State hospitals and institutions of higher education are required by PL 91-373 to be covered as of January 1, 1972. They may finance costs on a reimbursement basis. We feel other state employees who experience the same risk of unemployment should also be extended coverage. We recommend that all benefit costs be financed on a reimbursement basis. We do not feel the employer's tax dollars should be taxed twice nor should a nonprofit entity subsidize the benefit costs of other profit making employers. Refer to the appendix for a technical discussion concerning the impact on Alaska's experience rating system if the state were to participate as any other employer.

We estimate that benefit costs will most likely be .8 percent of total wages, meaning if the state participated on a regular tax basis the total cost would be .4 percent higher or about \$364,000. Half of this increase would be borne by employee contributions as shown in the following table.

TABLE 3
1970 ESTIMATED DOLLAR COSTS IN \$THOUSANDS

	<u>Least Likely</u>	<u>Likely</u>	<u>Most Likely</u>
BENEFIT COSTS			
<u>Regular Basis</u>			
Total	\$1,638	\$1,365	\$1,092
Employee	273 ^{1/}	273 ^{1/}	182
Employer	1,365	1,092	910
<u>Reimbursable Basis</u>			
Total	\$1,183	\$910	\$728
Cost Savings of Reimbursable	\$455	\$455	\$364

As shown in Table 4, the "net" cost to the state (less federal monies) under both types of financing would "most likely" have been \$682,000 on a regular basis and \$546,000 on a reimbursable basis in 1970. Therefore, the "most likely" net cost to the state on a regular tax basis would have been \$136,000 more than on a reimbursable basis. State employees would have been required to pay an additional \$182,000.

TABLE 4
1970 NET COST TO STATE IN \$THOUSANDS

	<u>Least Likely</u>	<u>Likely</u>	<u>Most Likely</u>
<u>Regular Basis</u>			
Total	\$1,638	\$1,365	\$1,092
Less employee contributions	273	273	182
Total state cost	1,365	1,092	910
Less federal funds (25%)	341	273	228
Net state cost	\$1,024	\$819	\$682
<u>Reimbursement Basis</u>			
Total	\$1,183	\$910	\$728
Less federal funds (25%)	296	228	182
Net state cost	\$887	\$682	\$546

^{1/} Agrees due to rounding of rates in this table and the following tables.

EXPECTED COSTS IN 1972

Based on a total state payroll of \$118 million in 1972, we have estimated the most likely "net" cost to the state on a regular tax basis at \$885,000 and \$707,000 under the reimbursable. In 1972, the increased cost to the state on a regular tax basis would be about \$178,000 and about \$236,000 in contributions would be required from state employees.

TABLE 5

ESTIMATED 1972 NET COST TO STATE IN \$THOUSANDS

	<u>Least Likely</u>	<u>Likely</u>	<u>Most Likely</u>
<u>Regular Basis</u> ^{1/}			
Total	\$2,006	\$1,770	\$1,416
Less employee contributions	<u>354</u>	<u>354</u>	<u>236</u>
Total state cost	\$1,652	\$1,416	\$1,180
Less federal funds (25%)	<u>413</u>	<u>354</u>	<u>295</u>
Net state cost	\$1,239	\$1,062	\$ 885
<u>Reimbursement Basis</u>			
Total	\$1,535	\$1,118	\$ 943
Less federal funds (25%)	<u>384</u>	<u>280</u>	<u>236</u>
Net state cost	\$1,151	\$ 838	\$ 707

In addition to the above costs to the state, we have estimated that costs will not exceed \$100,000 in 1972 for insitutions of higher education (University of Alaska).

^{1/} Assuming same estimated tax rates on total wages and 1972 taxable to total wage ratio of .65.

HOUSE FINANCE COMMITTEE

March 30, 1971

8:00 a.m.

Present: All members except Messrs. Hohman and Degnan. Mr. John Carter, Alaska Employees' Association was also present to testify on HOUSE BILL NO. 106.

HB 106 Mr. Ditman called the meeting to order and announced the committee would review HOUSE BILL NO. 106 (state employees' pay raise). Mr. Carter said he would like to present the Association's position on HB 106. He said he was trying to make a strong stand for a reasonable and supportable request rather than trying to barter by starting high. Mr. Carter referred to the salary survey done by the Department of Administration and stated that the Association had worked from this too. He said he would like to show support for a 14 percent increase. The federal employees were given a 6 percent cost of living increase and this was reflected in the survey as 5 percent. Mr. Carter said the Association had done had done a food price comparison but he thinks there is a 35 percent cost of living difference between Seattle and Juneau rather than the 25 percent shown in the survey (see page 80, Survey of Salaries Employee Benefits Employment Conditions and Recommendations for Fiscal Year 1971-1972). He said every firm and government mentioned gives a differential to employees who work on shifts which is lacking in the State of Alaska pay scale. Mr. Carter then referred to the minimum salary proposal (SENATE BILL 129) which would place the lowest salary at \$629 in state service, and emphasized that the Association considered this an important issue.

Mr. Ditman wanted to know how many employees were in the lowest pay range. Mr. Carter said there was only one person in Range 5 and SB 129 is recommending that Range 6, Step F, be the lowest pay range. Mr. Wright pointed out that this minimum salary is not just a state problem, it also hits the small businesses. He used hospitals as an example, if they raise X salaries, then they will have to raise the daily rate, so in the end, it hits everyone. Mr. Carter said if they raise salaries, they can raise the quality of the employee. Mr. Wright said he didn't like the idea of rewarding a person for not staying in school and finishing their education -- by setting this minimum salary at \$629 it puts the "dropout" nearly if not right on par with a person who has completed his education. Mr. Carter referred to this as a "social problem" and noted that some state employees, e.g., Pioneers' Home, state institutions, etc., are able to qualify in some instances for both food stamps and welfare since their salaries are so low. Mr. Carter added that he thought HOUSE BILL NO. 32 (pay increments for state employees) was a better approach than adding two additional steps.

Mr. Degnan arrived in the committee.

Mr. Carter's main request was that the state maintain salaries at a level that will attract well qualified employees. He was referring to the 6,000 state employees who are not able to go on strike so they are therefore in the position of judgment by the legislators.

Mr. Carter referred to earlier testimony (see pages 521-536 of budget minutes) when the Division of Personnel was discussing the salary survey; he said he has just returned from a meeting in

San Francisco where he learned that Washington, Oregon and California were now expecting to get increases. California expects to pass a 6 percent cost of living increase; Oregon will get 5 or 6 percent; and Washington will either get nothing or 2-3 percent increase; and Nevada is expecting to pass 10 percent. He felt all of these were geared to cost of living rather than to an actual pay increase. With reference to pay differential by district, Mr. Carter said that two-thirds of the employees who belong to the Association are in the Juneau-Anchorage area and they will be least affected by passage of HOUSE BILL NO. 106 because the bulk of the increase will go to the bush areas.

Mr. Ditman asked how many employees were in the top pay ranges.

Mr. Carter cited the following figures:

Range	23	--	27
"	24	--	87
"	25	--	23
"	26	--	52
"	27	--	7
"	28	--	19

Mr. Degnan asked about the pay increases given other states in the last few years. Mr. Carter referred him to page 65 of the Salary Survey reported and quoted the following figures:

State of Washington	--	49.9%
" " Oregon	--	31.5%
" " Alaska	--	29.5%
Alaska Teachers	--	96.7%
State of California	--	29.9%

These are the total raises given in the past five years.

Mr. Ditman recessed the meeting at 9:00 a.m. to go into executive session on other matters.

HOUSE FINANCE COMMITTEE
9:00 a.m.

PRESENT: All members.

Mr. Hohman assigned the following bills to committee members:

HOUSE BILL NO. 185 (creating of guide licensing and control board)

-- Fink.

HOUSE BILL NO. 227 (Alaska remote housing program) -- Degnan

HOUSE BILL NO. 228 (Appropriating \$10 million to Public Works)

-- Hohman.

HOUSE BILL NO. 263 (Minimum teachers salary scale) -- Wright

HOUSE BILL NO. 312 (Establishing tourism revolving fund in
Department of Economic Development) -- Warwick

HOUSE BILL NO. 329 (Appropriating \$16,000 to Department of
Education) -- Degnan.

HOUSE CONCURRENT RESOLUTION NO. 27 (Construction new high school
Prince of Wales Island) -- Ditman.

HOUSE CONCURRENT RESOLUTION NO. 29 (Indexing of Alaska materials)
-- Haugen.

SENATE BILL NO. 119 (Relating to historic preservation) -- Hohman

HB 159

Mr. Warwick brought up HOUSE BILL NO. 159 (unemployment compensation for state employees) and HOUSE BILL. 304 (unemployment compensation for employees of University of Alaska, hospitals, etc.) and said that HB 304 was a must since it was written to have Alaska conform with Federal regulations. If HB 159 is not going to pass, then he felt HB 304 would have to be amended. HOUSE BILL 304 has no financial implication if HB 159 passes; however, if HB 159 does not pass, then there will be \$70,000 impact on HB 304. Mr. Hohman said they would discuss this later in the day. Meeting recessed briefly for witnesses to appear on HB 282.

AFTER RECESS
9:30 a.m.

Present: All members. Commissioner Campbell, Mr. Dick Chitty and Mr. Hugh Williams from the Department of Highways were also present.

HB 282 Chairman Hohman called the meeting to order and said the committee would consider HOUSE BILL NO. 282 (an act providing for uniform relocation assistance and real property acquisition practices).

Mr. Campbell explained the purpose of this bill is to aid the Department of Highways (and other state organizations) in providing replacement housing for people uprooted as a result of highway construction. Mr. Campbell said the tendency has been to give these people a "better shake" in recognition of the impositions that have been put on them. Mr. Campbell said that HB 282 puts the existing statutes in line with the existing Congressional Model Act on relocation. This brings payments up to what is now allowed on the federal level. Mr. Campbell said the proposed amendment is by the Attorney General/and he felt it is important because it allows the Department of Highways to provide replacement housing in the event such housing is not available.

There are two projects (one in Fairbanks and one in Juneau) that are completely stalled because they cannot find housing for the people who are being uprooted, Mr. Campbell said.

Mr. Campbell said many of these people are paying rent that is as low as \$60 a month and there is no way they can relocate them into housing that is this inexpensive. This is true in Juneau and Fairbanks and Mr. Campbell said this amendment will allow the Department to construct housing that will locate these people. Mr. Campbell urged the committee to act favorably on this bill and especially the proposed amendment.

Mr. Warwick asked if the \$2,445,000 shown for federal receipts is in the budget. Mr. Campbell said this is only on the program basis. The fiscal note shows the cost for relocation for the next three years but Mr. Campbell cautioned the committee that these figures are only estimates. Mr. Warwick asked how authorization for this would be made and Mr. Campbell said out of the \$50,000,000 received from the federal government they will take the \$2,000,000 and this will be programmed as a Right-of-Way item. Mr. Warwick asked if the Department needed this bill now. He asked if this would cause a hindrance for the Department if it was not passed. Mr. Campbell said the amendment very definitely would. He said he could foresee several other projects that would be stalled.

Mr. Fink asked how they would provide housing and Mr. Campbell said they would subsidize it. Mr. Fink said this could go on forever and they would be locked into a continuing appropriation. Mr. Campbell said this is true but it is federal money. He said the Department is going to try and get private enterprise

to build but if worse comes to worse the Department may have to do this. Mr. Fink felt they were talking about a fantastic amount of money. Mr. Campbell pointed out that 80 to 90 per cent of these people are elderly and when they move out the State will not be obligated to anyone else. Mr. Fink asked if they could get ASHA to build these units and Mr. Campbell said they could but ASHA moved slowly. Mr. Fink asked if they had projected the total cost of this. Mr. Campbell said before they can spend the federal money they have to certify that they have units available for the people to move into. He said in many cases the people would not but if they are going to keep the highway program they have to have these units so when all else fails they can go ahead. Mr. Haugen said he understood these benefits would apply to people who have already moved. Mr. Chitty said this would go back to January 1 of 1971. Mr. Fink said he did not object to finding houses but he did object to something that could go on for 30 years. In answer to Mr. Degnan, Mr. Campbell said they were obligated to find a sanitary and safe place even if the housing the people were living in was not safe and sanitary. Mr. Campbell said if they get into the housing business it will be on an absolute minimum basis. He said they intend to work with ASHA and HUD on this. Mr. Fink said he would rather see them spend more money now and get it off their back. Mr. Campbell felt the language of the amendment is written so they can do this.

Mr. Warwick asked if the 90 per cent federal, 10 per cent state relationship would change if the highway fund relationship changes and Mr. Campbell said yes.

Recess: The meeting recessed at 9:50 a.m.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

WILLIAM A. EGAN, Governor

POUCH K, STATE CAPITOL - JUNEAU 99801

March 18, 1971

The Honorable George Hohman
Chairman
House Finance Committee
House of Representatives
Juneau, Alaska 99801

Dear Mr. Chairman:

I am writing in reference to House Bill No. 282 which deals with relocation assistance and acquisition policies. The bill has been referred to your committee after favorable consideration by the State Affairs Committee. Because of considerations which have come to light since the original introduction of the bill, the staff of the Department of Law was requested to draft an amendment. The amendment is attached and would incorporate those parts of the federal act which (1) allow for loans up to 80 per cent of the cost of planning for replacement housing; (2) allow as a last resort for the agency itself to provide replacement housing. These provisions are not required in order to assure conformity with federal law, but they are nonetheless necessary to the agencies administering federal programs, and should contribute to the development of the entire housing assistance program. Reflected in these amendments are secs. 206 and 215 of P.L. 91-646; 84 Stat. 1897.

Additionally, the committee might wish to consider an amendment which would incorporate the language in sec. 206 to the effect that:

"No person shall be required to move from his dwelling on or after the effective date of this chapter, because of any federally-assisted project, unless the state agency is satisfied that replacement housing in accord with sec. 90(c)(3) of this chapter is available to the person."

I believe this would best be placed after the definition

The Honorable George Hohman

March 18, 1971

-2-

section as a new 44.81.145. Again, it is my understanding that P.L. 91-646 does not require this language for conformity.

Very truly yours,

JOHN E. HAVELOCK
ATTORNEY GENERAL

By *Donna Spragg*
Donna Spragg
Assistant Attorney General

JEH:DS:dw

2 Page 12 at approximately line 9-10 insert following sections:

3 Sec. 44.81.135. PLANNING LOANS FOR ADDITIONAL HOUSING. In
4 addition to the other programs authorized by this chapter, a state
5 agency may make loans in order to encourage and facilitate the
6 construction or rehabilitation of housing to meet the needs of
7 displaced persons. These loans are a part of the federally-
8 assisted project cost and may be made to nonprofit, limited
9 dividend, or cooperative organizations or public bodies. The loans
10 may be made only for necessary and reasonable expenses, prior to
11 construction, for planning and obtaining federally insured mortgage
12 financing for the rehabilitation or construction of housing for
13 displaced persons. The loans may not exceed 80 per cent of the
14 reasonable costs expected to be incurred in planning, and in
15 obtaining financing for housing for displaced persons. Reasonable
16 costs include but are not limited to costs for preliminary surveys
17 and analysis of market needs, preliminary architectural fees,
18 site acquisition, application and mortgage commitment fees, and
19 construction loan fees and discounts. Loans to an organization
20 established for profit shall bear interest at a market rate
21 established by the state agency. All other loans shall be without
22 interest. The state agency shall require repayment of loans made
23 under this section, under terms and conditions established by the
24 state agency. Repayment shall be made upon completion of the
25 project or sooner, and except in the case of a loan to an organi-
26 zation established for profit, the state agency may cancel any
27 part or all of a loan following a determination by the state
28 agency that a permanent loan to finance the rehabilitation or
29 construction of the housing cannot be obtained in an amount

AFTER RECESS

2:00 p.m.

Present: All members except Messrs. Ditman and Wright. Mr. Tom Dahl, Director of Model Cities Program for Juneau was also present to testify on HB 282.

HB 282 HOUSE BILL NO. 282 (uniform relocation assistance and real property acquisition) was again before the committee.

Mr. Dahl said that HB 282 relates to the bill recently enacted by Congress on relocation assistance at the federal level. The problem has been, according to Mr. Dahl, that the agencies involved with displacement of people have not had any single set of rules. Model Cities, Highways, Urban Renewal, etc., all have different standards for relocation. The purpose of the federal legislation, Mr. Dahl stated, was to bring all of this under one set of guidelines and assist state agencies in performing on a more consistent procedure.

Mr. Dahl emphasized that HB 282 is a good bill and it does what it's supposed to do which is enable state agencies to fulfill the intent of the federal legislation. However, Mr. Dahl thought there was one deficiency in the section enabling state highway departments to use federal funds according to the formula laid down in the Uniform Relocation Assistance Act. There should be a section that states that when displacement is caused by a federal program, federal assistance can be used by a state agency to make payments to individuals that are displaced by the program. When they have a project that can use federal assistance funds to do this, they do not have to use any state funds. Mr. Dahl felt there should be an enabling section in HB 282 to permit this. It is permitted in

the federal bill.

In answering a question from Mr. Haugen, Mr. Dahl said that people that are displaced by urban renewal are already covered but highway displacements are not. Urban renewal, Mr. Dahl pointed out, is the major cause of relocation.

Mr. Dahl said as Outer Drive (Juneau) is extended, federal assistance can be used under the federal statute which does put the Department of Highways into the housing business, but he repeated, they can use federal funds to do it.

Mr. Warwick asked if the amendment proposed by the Attorney General (see pages 250-251 of bill minutes) would cover the situation.

Mr. Dahl had not seen a copy but after he was given a copy, and after reviewing it briefly, he agreed that this would correct the section he had been referring to earlier.

Mr. Dahl suggested that HOUSE BILL 282 have a declaration of policy pointing out that it is in response to the federal legislation.

Mr. Warwick wanted to know if the Act itself gives the authority and if the legislature passes on it, will it give the state authority to administer these funds. Mr. Dahl said yes.

HB 167 Mr. Dahl said he would like to also comment on HOUSE BILL NO. 167 (provides financing and development of housing for persons of lower income and to create an Alaska Housing Finance Agency).

Mr. Dahl explained to the committee that the Housing Assistance office, which is a project established by Model Cities to assist in development of housing in Juneau, has reviewed this bill. He said they are very interested in anything that the state might do. He has noted a popular appeal for low cost housing development under the 235 and 236 HUD program which provides funds for both

sale and rental. The attempt at nonprofit corporations has community appeal and looks good on paper. His group has actually established a nonprofit corporation to do this and provide funds, but in the year it has been in operation it has failed. Mr. Dahl did not feel it was because of lack of good will and expertise on the part of the corporation. Basically the reason for failure is the unwillingness of federal agencies to deal with nonprofit corporations. He used FHA as an example and said they don't like to get into this, they would rather deal with private developers through a bank. Mr. Dahl does not believe that HB 167 really solves the problem. Housing has to be developed and what is needed more than this bill, according to Mr. Dahl's way of thinking, is funds to banks that they can use to loan to people to buy houses. Either that or an actual agency in the state that will make low interest loans to people, or will encourage banks from the outside to compete with the local banks. He has found that the banks are not willing to give loans to people with questionable credit ratings, which he could understand their reasoning and doesn't blame bankers for this attitude. Mr. Dahl stressed that throughout the country the way a person establishes good credit is by buying a home. As people become homeowners they are more stable and they become more productive. They need to keep their jobs to pay for their home and they are less likely to wander from job to job. This bill doesn't do it because the bill will revolve the money which doesn't work under FHA. He suggested that prior to a hearing on this bill that an opinion should be asked of FHA, to see if they will work with the agency in giving of loans at a lower interest rate.

Mr. Dahl apologized for the fact that he didn't have time to do the kind of research to properly discuss this bill before the committee. He said he would be happy to bring people in before the committee that have the technical knowledge necessary to intelligently discuss the bill with the committee.

Mr. Dahl thought the intentions of HB 167 were noble but he did not feel it would do what everyone was hoping it would. Mr. Fink said he would like to have anyone who has information on this write a memorandum, telling just what is good, etc., but he stressed that the memorandum should be received very soon by the committee.

Mr. Dahl said he would prepare a memo and have it to the committee by Friday. There being no further discussion on the bill Mr. Dahl left the committee.

Mr. Hohman made the following bill assignments:

HOUSE BILL NO. 182 (art works for public buildings) -- Fink

HOUSE BILL NO. 383 (supplemental funds for Legislative Affairs) -- Hohman

Meeting adjourned at 2:35 p.m.

HOUSE FINANCE COMMITTEE MEETING

April 1, 1971

1:40 p.m.

Present: All members except Mr. Ditman. Representative Peratrovich and Representative Whittaker were also present.

HB 102

HB 103 Chairman Hohman called the meeting to order. He told the committee they were present to hear testimony on HOUSE BILL NO. 102 (An Act relating to loans for commercial fishing purposes) and HOUSE BILL NO. 103 (An Act appropriating to The Dept. of Administration, \$35,000,000 for making commercial fishing loans). Representative Peratrovich explained the problems that the fishermen have. He said in order to survive the fishermen must go out into the high seas and the majority of the fishermen do not have the type of boats necessary to do this. He said some of the canneries finance the fishermen but this obligates the fishermen and places them at a disadvantage. Representative Peratrovich felt this bill will correct this situation. This will allow them to obtain loans to update their boats and gear. He felt if this money is made available it will help in eliminating some of the welfare programs. He asked that the committee give their favorable consideration to these bills.

Mr. Hohman asked if it was possible to obtain federal funds for the purpose of buying gear. Mr. Peratrovich said there is a program; however, it has a limit of \$40,000 and loans are difficult to obtain as their requirements are much like standards required for a bank loan.

Mr. Hohman asked what he felt the maximum should be and Representative Peratrovich said the bill makes the maximum \$300,000. He felt about 65 or 75 per cent would be below this maximum. Mr. Wright asked if \$300,000 would be the cost of a new boat. Mr. Haugen felt this figure would be pretty close to the cost of a new boat. Mr. Wright felt a more realistic approach would be to loan 75 or 90 per cent of the value of the boat rather than the entire amount. He felt if the fishermen had equity in the boat they would be more likely to look after their interest. Mr. Peratrovich felt that in many cases the people would want to update their boats and would have equity. He felt this would be up to the Commission and he did not feel the loans would be given indiscriminately.

Mr. Whittaker said as he sees it there is a great change happening in the fishing industry. He felt there is more emphasis on fishermen and they are expanding their operations. He felt fishermen are looking towards markets themselves. He said the most important thing is owning the product and the means of taking care of these fish. He said much of the gear is antiquated and because of the relationship between the fishermen and the canneries they are not able to get additional equipment for other kinds of fishing. He said if the fishermen could proceed and free themselves of the canneries then they would be able to get out and look at other means of producing. Representative Whittaker felt that what is happening in fishing is one of the most important

things in the state.

Mr. Fink had the same reservations as Mr. Wright. He said he would like to know that the person they are financing has substantial equity. He asked if they financed 75 per cent of the value what this would do. Mr. Whittaker said he did not think it would hurt anything. However he felt requiring 25 per cent of the fisherman's money may be "too tough".

Mr. Fink asked if they contemplate that the fishermen will be required to carry insurance. Mr. Whittaker felt this would be up to the Commission to make rules and regulations. The committee briefly discussed what state agency should handle this. Mr. Fink felt that one state agency should handle all the loan funds.

Mr. Fink questioned the delayed payments of five years.

Mr. Peratrovich explained that this five years is based on the cycle of runs. He felt that five years would give them long enough to determine if they were going to be successful.

Mr. Fink pointed out that after five years the person could be \$90,000 behind in interest. Mr. Peratrovich said based on the experience he has had the interest is almost always paid.

Mr. Fink felt by delaying the payments for five years for interest they would be putting a heavy burden on the fisherman to come up with this amount at the end of five years.

Mr. Fink felt they should make sure the amount of the State's lien together with the other liens does not exceed the amount of the boat.

Mr. Fink asked if any other loan program had been used for a model for this and Mr. Peratrovich said no, this is based on his observations. He pointed out that farmers are receiving assistance and he felt fishermen should too -- he felt the State needs both fishermen and farmers.

Mr. Hohman said there is the problem of competition from fishermen outside of Alaska. If local fishermen could upgrade their equipment they could capture part of these resources.

Mr. Haugen said the fishermen in his area are opposed to the new vessel part of this program because they feel there are enough boats. He said they were not against the loans for repairs, etc. Mr. Peratrovich said this may be true in Petersburg, but other areas of the State do not feel this way.

Mr. Wright asked about co-ops and this was discussed.

Mr. Wright requested the Bureau of Commercial Fisheries be contacted and asked to send a copy of the study on fish boat loans.

Recess: The meeting recessed at 2:20 and the committee went into a discussion on the budget for the Department of Revenue.

HOUSE FINANCE COMMITTEE

April 2, 1971

9:30 p.m.

Present: All members except Mr. Haugen.

HCR 35 Mr. Hohman called the meeting to order and moved and asked unanimous consent to sponsor HOUSE CONCURRENT RESOLUTION NO. 35 (Relating to the Personnel Rules for State Employees). No objection, so ordered. The committee voted unanimously to recommend HCR 35 do pass and the report was so signed.

Mr. Hohman assigned the following bills:

HB 181 HOUSE BILL NO. 181 (An Act relating to investment of surplus state funds) - Warwick.

HB 254 HOUSE BILL NO. 254 (An Act relating to mutual savings banks) - Ditman.

HCR 19 HOUSE CONCURRENT RESOLUTION NO. 19 (Relating to the investment of state funds) - Fink.

HOUSE FINANCE COMMITTEE MEETING

April 4, 1971

11:15 a.m.

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

HB 226 The committee considered HOUSE BILL NO. 226 (An Act appropriating to the Alaska Court System). Mr. Warwick recommended the figure of \$370,816 for jury fees. Mr. Warwick stated positions that had been deleted from this supplemental. Mr. Hohman pointed out that part of the travel is for Magistrates Training and field audits which includes different bush locations and that he felt this was an important conference. Mr. Warwick said the Court System needs everything listed in this supplemental. Mr. Hohman said he thought this conference would bring people in to areas where there is not a good concept of understanding of the white man's laws and that they need somebody in these positions to explain what these laws really mean. He said Alaska could end up with the kinds of problems they have in cities now. This conference cost \$7,000.

Mr. Warwick said on the same point they should do something about the backlog in the Courts. He felt their problems are not limited to the bush areas -- the backlog in Anchorage and Fairbanks is a terrible problem.

Recess: The meeting recessed at 11:30 a.m.

AFTER RECESS

1:00 p.m.

Mr. Warwick said the supplemental request is \$647,479 and they have asked for jury fees of \$370,816. Mr. Warwick felt they

should either give them this amount or the entire amount requested. Mr. Hohman asked if the \$647,479 included restoration of court room facilities. Mr. Warwick said yes.

Mr. Hohman questioned the supplemental retirement for Chief Justice Nesbitt and the widow of Judge Walsh. He asked why this was necessary and the committee discussed this. Mr. Hogan said he would check on this.

Mr. Degnan moved and asked unanimous consent that a committee substitute be prepared to read "jury fees of \$371,000 and \$7,000 for the individualized magistrate training conference" and that it be adopted in lieu of HB 226 and that Committee Substitute for HB 226 be passed out of committee with a "do pass" recommendation. Mr. Warwick objected.

In answer to Mr. Ditman, Mr. Degnan said this training would take place in May.

Mr. Warwick said they could go through this budget and justify almost everything in one way or another. He said it was his feeling if they were going to go through and give priorities to certain things then they should give them all they ask for with the exception of the amount they say they can save on the jury fees. He said the Court System is a statewide problem and not a regional thing. Anchorage has the biggest problem as far as caseload and it appeared most of the money to remedy this situation is going to Anchorage, Mr. Warwick said.

Mr. Degnan said there really has not been any justice per se in rural areas.

Mr. Hohman said if they looked through this budget a great portion

is not for upgrading court procedures but for physical things. He said the difference between that program and the magistrate program is that the magistrate program is dealing with people. He said the other is improving the comfort of judges, secretaries, etc. and he did not feel this was the same thing.

Mr. Haugen felt they have to have a place to put the judges and this is the only way they can take care of the court system backlog. He did not feel they were solving the problem.

Mr. Hohman said there is a magistrate in Galena who chains a person charged to a pole. He felt there was something wrong with the way that person is oriented and that is the kind of thing the magistrate program is directed to.

Mr. Warwick said there are real problems as far as justice throughout the state. Mr. Hohman felt there are two different kinds of need. He questioned the need for a buzzer system. Mr. Warwick said somebody could come into the court with a gun or bomb. He felt they have a real problem as the current trend is toward destruction. He said the request for guards is a preventive measure.

The motion carried 3 to 2 (there were 3 "do pass" recommendations and 1 "no recommendation").

Mr. Warwick left the meeting.

HB 170 The committee considered House Bill No. 170 (an Act appropriating to the reapportionment bill). Mr. Hohman read the fiscal note from the Office of the Governor (see bill file). Mr. Haugen questioned why they were paying \$50 a day compensation to the members. Mr. Hohman said they are receiving per diem and salary and that a precedent had been established with the Workmen's

Compensation Board. Mr. Hohman said 60 days of service for this board would represent a real loss of income.

Mr. Hohman moved and asked unanimous consent that HB 170 be passed from committee with a do pass recommendation. Mr. Haugen objected. He was opposed to the \$50 a day compensation. He said the next thing that would happen is they will have to pay the fish and game board \$50 a day too.

The motion called, HB 170 passed out of committee with 3 "do pass" and 1 "no recommendation".

HB 383 Mr. Hohman moved and asked unanimous consent that HB 383 (an act appropriating \$74,200 to Legislative Affairs Agency) be passed out of committee with a "do pass" recommendation. Mr. Hohman read the justification for this (see bill file). Mr. Haugen questioned this. So HB 383 passed out of committee with 3 "do pass" and 1 "do not pass" recommendations.

HCR 27 Mr. Ditman moved and asked unanimous consent that HCR 27 (relating to the construction of a new high school on Prince of Wales Island) be passed out of committee with a "do pass" recommendation. There was a brief discussion and HCR 27 passed out of committee with 4 "do pass" recommendations. Mr. Ditman

HCR 18 moved and asked unanimous consent that HCR 18 (relating to improvements for the City of Chevak) be passed out of committee with a "do pass" recommendation. No objection, so ordered.

HB 228 Mr. Hohman moved and asked unanimous consent that HB 228 (appropriating to the Dept. of Public Works, division of aviation, \$10,000,000). Mr. Haugen said the Dept. of Public Works had

been asked for information regarding which projects would be involved in the land freeze. He felt the committee should wait until they receive this before making a decision. He also felt the full committee should be present. Mr. Haugen said he would not sign the bill. Mr. Hohman felt by not taking action this was holding up the legislature. HB 228 was returned to file pending more signatures.

Adjournment: The meeting adjourned at 2:30 p.m.

HOUSE FINANCE COMMITTEE

April 5, 1971

8:55 a.m.

Present: All members with the exception of Messrs. Fink, Warwick and Wright.
Robert L. Thomas, Deputy Commissioner, Department of Education.

HB 157 Mr. Hohman called the meeting to order and said Mr. Thomas was present to testify on HOUSE BILL NO. 157 (An Act relating to the public school foundation program). Mr. Thomas said that when the teachers' salary bill was passed last year, it set up four regions which did not coincide with the foundation program. An error in drafting excluded King Cove, Unalaska and Kodiak, and HB 157 was introduced to correct this. It was felt it would be easier to change the foundation support program rather than refer back to the teachers' salary bill, and the bill will go into the foundation program statutes. There is actually no change and the bill will cost nothing.

The Department of Education is making the proper payments at this time, which is actually not in accordance with the law. They felt it was better to continue paying, but it is technically incorrect.

Mr. Hohman noted this should be included in the fiscal note and Mr. Thomas said he would provide a memorandum explaining the situation.

Recess: The meeting recessed at 9:00 a.m.

AFTER RECESS

9:00 a.m.

HB 119

Mrs. Helen Fischer was present to testify in favor of HOUSE BILL NO. 119 and CS FOR HOUSE BILL NO. 119 by State Affairs Committee (authorizing state aid for land acquisition, planning, construction and modification of new or existing civic, convention and community recreation centers).

Mrs. Fischer explained to the committee that the original HOUSE BILL NO. 119 was just for the cities of Fairbanks, Anchorage and possibly Juneau. Mrs. Fischer felt very strongly that community centers are needed in smaller towns as well as the larger cities so this was the purpose of the committee substitute.

She passed out to each member two reports: one describing economic impact of the Anaheim (California) Convention Center and another one that was a summary of attendance, food service, space leasing, etc. (see bill file for copies).

Mrs. Fischer commented that a number of the interested towns had appeared before the committee: Nenana, Juneau, Haines, Anchorage, Cordova, Hoonah, etc. Many of the smaller communities had written letters expressing their approval: Barrow, Sitka, Kotzebue, Ketchikan, Seward among others. All are badly in need of these centers, according to Mrs. Fischer. Approval had also been expressed by the Mayor's Council and the Municipal League. She was fully aware there wasn't money in the treasury for building but she felt if they could get \$200,000 for planning, this would get it started. The committee (State Affairs) arrived at this figure

by taking the amount needed for Juneau, Fairbanks and Anchorage for planning. With each of these three cities matching the state funds it would cost a total of \$90,000 for the three cities in state funds and the smaller communities range from \$1,000 (Tok Junction) to \$5,000, so the balance of the \$200,000 would take care of all the other communities in the state insofar as planning is concerned. Mrs. Fischer told the committee that there is the possibility of federal funding if this comes through, then half of the federal funds would go to the city and half of the state which would cut each portion in two.

Mrs. Fischer said many communities do not have these centers and Homer, for example, wants a visitor's center that could be used for that purpose during the summer and the balance of the year it would be a community center. She mentioned that some of the towns would incorporate the mayor's or clerk's office into the building since each city will have to provide its own maintenance. For those smaller communities, it would be less expensive if it combined the office feature, thus allowing for better maintenance. Each town must be able to maintain these buildings since the idea is for the state not to have to come back in and pay for the care of the building.

Mrs. Fischer said they sent the bill to every community in Alaska and some of these people responded with the fact that it was the first time they had ever heard from a legislator. This bill provides for every type of community and she further explained that the original bill had put it in Local Affairs;

however, her committee had decided because of the tourism factor with the emphasis on convention centers. it should be under Economic Development. She referred to the fact that the centers in Anchorage, Fairbanks and Juneau could handle conventions up to 3,000 people with which would allow large conventions from stateside to come into Alaska. The idea of the smaller community centers would enable the smaller towns to handle the intra-Alaska conventions of 200-300 size. This is big business, she stressed, and brings in approximately \$50 per person so she felt the community would be receiving financial benefits along with a center that the whole community could be using.

Mrs. Fischer concluded the meeting by stating that she would like to see \$200,000 included in the budget for this purpose. Much is done for fishermen, veterans, etc., but Mrs. Fischer didn't feel the legislature has passed much legislation that gives the entire community something.

There being no questions, Mrs. Fischer left the meeting.

Mr. Hohman made the following bill assignments.

HOUSE BILL NO. 247 (creating Department of Transportation) --
Hohman

HOUSE BILL NO. 119 (state aid for planning and construction of civic and convention centers) -- Haugen

HOUSE BILL NO. 389 (go bonds - \$15,000,000 for convention centers)
-- Haugen

HOUSE BILL NO. 378 (veterans public land preference) -- Degnan

HOUSE BILL NO. 256 (appropriating to Department of Public Works) -- Ditman

HOUSE BILL NO. 142 (compensation for accrued sick leave) -- Fink

The meeting recessed at 9:30 a.m.

JOINT MEETING
SENATE AND HOUSE FINANCE COMMITTEES
April 5, 1971
1:55 p.m.

Present: Members of the Senate and House Finance Committees; Mr. John Carter, and a number of Directors of the Alaska State Employees' Association.

SB 106 Mr. Hohman called the meeting to order. Mr. Carter said each person
SB 32 present to testify today was a Director of the Alaska State Employees'
SB 159 Association, and would present the problems and opinions of employees throughout the state. The priorities drawn by the Employees' Association were listed as follows: 1) cost of living increase; 2) unemployment insurance as proposed by the Governor; and 3) longevity increase.

SB 131 Another problem is covered in SB 131 relating to shift differentials, important to state employees now that overtime has been cut. Many employees are trying to support a family on about \$400 per month, and the shift differential will help those at the bottom of the pay scale. The Employees' Association is supporting a concept of a minimum salary. Mr. Carter then introduced Monty Lyons from Anchorage, who testified as follows:

Mr. Lyons works for the Department of Highways in Anchorage and has been employed there for the past ten years. Last year the legislature authorized a salary survey, results of which were recently completed. The conclusions are not correct relative to engineering positions of the Highway Department as compared to Civil Service, according to Mr. Lyons, and he presented a comparison of GS ratings with state ranges. A GS 5 and a GS 7 are starting salaries for college graduates and an average of the two ranges results in a figure of \$12,608. The entrance figure for a Highway Engineer Assistant I in the Highway Department is \$10,788, a range 14. The percentage difference is 17%, which does not

include the fact that 25% of the GS salary is tax exempt, so another 25% could be added to the \$12,608 figure. The percentage difference becomes greater the higher the range; for example, an 11% higher salary for GS 7 compared to the state's comparable classification, 8% to 12% higher for GS 9, between 14% - 20% higher salary for a GS 11 as compared to a state range 19, etc. Mr. Lyons said he left civil service ten years ago as a GS 7 and obtained a better paying job with the state at this time. Comparing his salary today with employees at the same level in civil service, their salaries are from \$2,000 to \$4,000 per year higher. If he had not advanced from a GS 7, and merely received step increases, he would be making about the same salary as he is currently earning with the state. Mr. Lyons noted two examples where employees were recruited to work with the state, and they could not accept the positions because their salaries with the Public Works Department of the Anchorage Borough and the City of Anchorage were higher than those offered by the state. In the longevity program, the state has six steps while the federal government has ten. In the Department of Highways at Anchorage, 32 employees are at step F and in another year over 40% will be at step F and remain there indefinitely. The employees will lose incentive and the problem will affect the business of state government. Turn-over is high, as indicated by the fact that they have had seven district engineers in the Highway Department in ten years. Mr. Lyons asked how well a business could function when the top managers leave, and noted the turn-over in the lower echelon was comparable. Last year there was a conference of engineers working for highways throughout the states, and most of the speakers had 20, 30, 40 years' experience, compared to

Alaska where the turn-over is every year and a half. Mr. Lyons said that 99% of the turn-over is caused by insufficient salary and no longevity increase.

Mr. Carter then introduced Ron Kirk, an employee at the Anchorage International Airport. Mr. Kirk said there is a militant attitude prevailing, not so much on his part as on the part of other employees at the airport. The employees in the craft and janitorial positions feel they are second-class citizens with very few rights, and the temporary employees have even less rights. About ten years ago there was a time-and-one-half provision for overtime, which was removed in approximately 1962. Until December 16, 1970, there was no provision for overtime. At the Anchorage International Airport a condition of employment is that employees work a six-day week. From December 16, 1970, until about February 1 overtime was paid, and employees continued to work a six-day week. Then the Division of Aviation announced there would be no more overtime, which reduced employees' salaries from \$100 to \$200 per month. In professional areas, this loss would not be as great as it is in the craft area. The employees are now working 22 days per month instead of 26 days, and it is difficult to attract employees due to the low income. Work continues to pile up, and it was barely possible to do the work on a six-day week. Mr. Kirk said it is "convenient" for the state to work employees at straight time, and now that time-and-one-half is paid there is no more over time allowed. There are very angry people at the airport. The AFL-CIO has made gestures toward collective bargaining and 20% signatures would allow a National Labor Relations Board meeting. They have the number of signatures required right now, and Mr. Kirk personally would like to

quell the union activity. Employees in Anchorage International Airport are on food stamps, and there is no alternative but to seek aid. The bill requests between an 8% to 16% increase, and Mr. Kirk said 12% is the minimal amount a man can get by on. There is a continued increase in the cost-of-living and state salary increases have not matched it. Mr. Kirk concluded his testimony by saying he would prefer not to see the AFL-CIO exist within the airport, but if something is not done the legislators will be talking to the union next year. Mr. Carter added the employees in need of food stamps and aid average about \$400 per month in salaries. Mr. Carter then introduced Ed Cahill of Juneau.

Mr. Cahill stated he represents about 900 state employees in the Juneau area, who have established priorities in their requests. The priorities were listed: 1) cost of living increase; 2) unemployment insurance; and 3) longevity increase. Mr. Cahill said human resources can be compared to natural resources, and when oil and electricity costs go up you pay. The ASEA is seeking a salary increase because the cost-of-living has increased to a point where an employee cannot maintain the same standard of living. The unemployment insurance bill is requested on a reimburseable basis, since it is understood this will be the least cost to the state. The third priority affects a good number of people, and Mr. Cahill repeated the priorities.

Chuck Reed, Department of Public Safety, Anchorage, was the next person to testify. He is chairman of the Anchorage Board, as Mr. Cahill is chairman of the Juneau Board. Mr. Reed said he has many occasions to talk to state employees and is the head of the grievance committee. There has been an increase in grievances. The state employees have never been militant; however, the union is presently a serious threat

in Anchorage. Mr. Reed said the only pay increase which has been adequate was the one received two years ago, since others have not covered the cost of living. Employees must be well qualified, and they support the merit system. The state must offer them something equal to their capabilities or lose employees to better jobs in private industry. Within the troopers, according to Mr. Reed, trained, qualified, experienced men are needed. There is now a record of about two years experience per man, where there should be ten to twelve years experience. New recruits from other states have commented they just can't make it on their present salary. They have been in Alaska a short time and have not been able to adjust to the high cost of living. Last Friday night Mr. Reed was present at a meeting of 85 airport employees in Anchorage, who requested their grievances be brought to the attention of the legislature. It is true that state employees are on food stamps, and some would be eligible for welfare.

Senator Ray asked how the retirement plan was working and Mr. Reed said it was working very well and they are grateful for the retirement system. However, the retirement system was set up to bring in new blood, but now the new employees can't afford the low salaries. Discussion followed on the step system, classification of employees, and SB 61. Senator Palmer said he was not familiar with HB 32 and Mr. Carter explained that after an employee has been with the state for seven years and has reached step F, he would receive an increase, in line with the federal system. George Mechau of Ketchikan noted that Ketchikan employees can be in the F step for years, but will not accept a promotion if it involves a transfer.

John Carter said the reason for bringing employees in from all over the state was to have an impact on the legislators. They have been fighting to catch up on salaries with the cost of living, and if an increase is not granted this year salaries will fall back. Employees will either leave state employment or the union will come in. ASEA has prevented strikes, while the union has distributed circulars saying the employees will receive a salary increase or go on strike. Each person at the meeting represents a large number of state employees and the employees have lowered their goals due to the bad financial situation. Last year the teachers received a substantial increase and the employees feel this year is the state employees turn. Mr. Carter stated this particular need cannot be over-emphasized, and 6% is not a raise - it is a cost-of-living increase. He continued by saying that unemployment insurance is important and throughout the nation the economy is going through a recession. The majority of the members of the ASEA will not benefit directly from this insurance, but the temporary and seasonal employees will benefit. This will aid the bush areas. The shift differential will benefit the low level maintenance workers, and Mr. Carter felt the fact that Alaska is the only state that does not have a shift differential should be noted in the salary survey.

Senator Hensley asked what a 6% salary increase would cost the state and Mr. Carter said about \$5 million. Senator Lewis noted the nation is on a continuous treadmill, with the cost-of-living increasing and salaries increasing, and the state employees must put their efforts toward controlling inflation. Mr. Carter noted the President could not

control inflation and private industry and the federal government employees continue to receive salary increases. Mr. Carter did not feel that state employees could control inflation alone.

Senator Ray questioned the large increase in the Personal Services account in each department's budget, from 8 to 12%. Mr. Carter answered the increase in the number of employees and the resultant fringe benefits created the increase, plus reclassifications. He added reclassifications had been granted to take care of employees who were under-paid.

Senator Lewis said he has introduced a bill to put employees on a 40-hour work week and added the more work you do, the more income you can expect. Mr. Carter said there would be no objection to additional work if additional income was the result. However, he added, state employees could not be asked to work an additional 2-1/2 hours for the same salary and morale would suffer. If the legislature said additional compensation would go along with the additional hours, there would be no problem. Senator Lewis noted overtime was costing the Department of Health & Welfare alone some \$350,000 and Mr. Carter argued that most departments have now stopped any overtime. Mr. Cahill said the state employees would be willing to work the 40-hour week, in accordance with the federal employees, if they were paid accordingly. However, he added the national trend seems to be away from a longer work-week and Hawaii is now on a 35-hour week. Mr. Cahill said the Juneau employees do not feel this is the solution to the problem. Mr. Mechau from Ketchikan said he has been working for the state for seven years and has never worked just a 37-1/2 hour week. Most employees work overtime without compensation, while others do not. He noted it is a

social problem and AFDC recipients lose money if they accept state employment. He concluded that unless the bills requested by the state employees are passed this year, next year the legislature will face a union. The ASEA is not militant, but the union is.

Helen Flynn, an employee at the Department of Law in Anchorage, testified that legal secretaries are very difficult to recruit, and private firms pay from \$150 to \$200 per month more than the state. Three new secretaries have been employed in the Anchorage office because of the 37-1/2 hour week, allowing employees to beat the traffic rush and enabling working mothers to employ baby-sitters and arrive home quickly. If asked to work 40 hours, these employees will quit.

Mr. Carter concluded with the fact that the ASEA did a very limited study on cost-of-living in Alaska as compared with the states included in the salary survey. He felt that if salaries were compared, cost-of-living should also be compared, and food prices are 35% higher in Juneau than in Seattle. Apartments in Juneau are much higher than in Portland. Mr. Carter felt this should be taken into consideration when salaries are compared with Washington, Oregon and California.

Journed: The meeting adjourned at 3:10 p.m.

AFTER RECESS

4:00 p.m.

HB 157

Mr. Wright moved and asked unanimous consent that the committee bring up HOUSE BILL NO. 157 (Public School Foundation Program) for discussion. No objection so ordered.

Mr. Hohman referred to the discussion this bill earlier in the day (see page 266 of bill minutes) when the amount of \$182,780 was mentioned as the cost; however, it is already being paid, which is not in accordance with the law. If they adhere to the letter of the law, it would be that much less but due to an error in drafting (again earlier testimony on page 266 of bill minutes) the Department of Education decided to make the payment anyway. Mr. Hohman stated that HOUSE BILL NO. 157 would make legal what is already being done.

Mr. Wright felt that they might as well pass the bill out since the money is being paid out anyway. Mr. Fink disagreed.

Mr. Warwick wanted to know what group they were included in, and Mr. Hohman said they are taking them out of the 105 percent group and putting them in the Northwest group which means 110 percent. Mr. Fink commented that this then puts them in the highest category. Mr. Haugen noted that the way the bill was passed last year there was confusion as to whether the teachers were getting the salary as in the bill and he thought that technically it could be more in another salary area. Mr. Hohman said the salary is based on the map (see bill file).

The committee discussed the 100 percent factor and Mr. Wright thought that theoretically no one ever gets 100 percent; however, Mr. Hohman disagreed and read from the Alaska Statutes. Mr. Wright

said he based his statement on what Anchorage gets and as he understood it, they get 90 percent of 100 percent, with \$19,250 being the base. Mr. Hohman used figures on the blackboard, showing how by taking 105 percent of \$19,250, then figuring the 5 percent, that was the way the Department of Education came up with the figure of \$182,780 for its fiscal note. Mr. Fink said all they were doing was raising the percentage of the instructional unit.

Mr. Hohman and Mr. Haugen agreed with Mr. Thomas that this was an oversight in last year's bill.

Mr. Wright then moved and asked unanimous consent that HB 157 be reported out of committee with a "do pass" recommendation. All members signed "do pass" with the exception of Mr. Fink who signed "no recommendation." Meeting recessed at 5:00 p.m.

AFTER RECESS

1:30 p.m.

HB 66 PRESENT: All members. Representative Jalmar Kerttula was also in the meeting.

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

Mr. Degnan briefly reviewed testimony heard at prior meetings (see pages 44,48-49, 69-70) based on the fact that the Department of Education had expected \$2 million from the federal government and only received \$1 million. They reduced expenditures but were unable to make up \$200,000 and this is the basis for the supplemental. Mr. Degnan questioned where they made it up, and felt they should have done it in other areas than what they chose. He said the general program absorbed two special projects in which services were extended to clients at API and to Special Education students in the Anchorage Borough. He said that they chose to keep the same staff to function in Anchorage area rather than to help the handicapped. They need \$200,000 to provide services to the state at the previous maintenance level.

Mr. Fink stated this was a case of clearly overspending. Of all the supplementals he felt this was the one most openly in violation. Mr. Degnan stressed that this was a productive program to get handicapped people back in the working world.

Mr. Fink asked to see the Governor's covering letter accompanying this bill and Mr. Hohman said there was no letter with this and several other supplemental requests.

Mr. Wright questioned the veracity of some of Mr. Les James' statements. A brief discussion ensued.

Mr. Warwick asked the kind of program this would fund. Mr. Degnan said it was for grants to handicapped individuals all over the state. It could be used for vocational schools, colleges, etc., depending on what is best for the handicapped person.

Mr. Wright said he could understand, when they are tied to a formula such as in Welfare, how they overspend, but if the legislature appropriates money to match \$2 million and then they come up with a deficit that is something else.

Mr. Warwick felt that Health and Welfare had a lot less justification than Vocational Education. Mr. Degnan felt that no matter what the legislature tries to do to the administration they will take it out on services that go to the individual.

Mr. Warwick concurred.

Mr. Fink suggested telling them to take it out of personal services. When the matching didn't arrive, they spent it anyway and he felt the difference between this and Health and Welfare was that the legislature underfunds welfare, so this occurs every year.

Department of Education knew this program was based on matching funds and Mr. Fink pointed out that they went ahead, without the funds, and spent it anyway.

Mr. Hohman referred to the earlier minutes when Mr. Craft testified that this was the first time his division had come in with a supplemental request in 10 years.

Mr. Wright thought they had testified they would have to let some staff go if they didn't get this request. He didn't think that was such a bad idea; they had too many administrators anyway.

Another point he made was that they do not hire Alaskans; the University of Alaska people had told him they had offered to train these people and had been denied. Mr. Hohman quoted from page 40 of the minutes that "... Mr. Craft said during their meetings with the finance committee last year the suggestion was made that the committee approve enough to cover this even if the federal appropriation was not increased to \$2,000,000..." He requested that Mr. Hogan research this and report back to the committee.

Mr. Wright asked if it wasn't true they said they could get by on \$100,000 and Mr. Degnan referred to page 60 (bill minutes) containing the justification that states it would cost \$150,000. Mr. Hohman wanted the above point researched and stated HOUSE BILL NO. 66 would be returned to files.

HB 179

Mr. Degnan moved and asked unanimous consent that the committee consider HOUSE BILL NO. 179 (appropriating to the Department of Education for \$850,000 for addition of multipurpose facility to the Nenana High School). No objection so ordered.

Mr. Fink stated that it seemed to him they are talking about spending a substantial amount of money. If they are going to cut the budget by \$5 million and then start putting it back in, they can't do it in pieces and this is a piece. If they keep this up, they won't be able to put things they (the legislators) really want. He would prefer to review all items in the budget rather than a single one. Mr. Degnan referred to Mr. Swanson's testimony (see pages 95-103) on the Nenana facility and stated that Nenana, as a first class city, was unable to support a construction program for this and he felt Nome was in a similar position. Mr. Degnan felt

the needs in education were such that they have the responsibility to provide good education for the entire state. Rural areas have had education emphasis for a long time; however, it is a long range investment.

Nome has an elementary school that is unsafe for children; and the total need for that elementary school would be 17 teaching stations and two special education stations, according to Mr. Degnan. He stated that there was a total of 25,836 sq. ft. It is very expensive to build in that area and the Department of Education predicts \$60 a sq. foot, so the total cost for a very minimal building would be \$1,550 million for the Nome school.

Mr. Degnan requested that the committee insert the Nome elementary school for a total cost of \$1,550,000 and \$715,000 for the Nenana multipurpose room.

Mr. Warwick stated that he thought they should postpone action until Native land claims was settled and the pipeline permit was issued. There isn't a rural school in the state that doesn't need new facilities and therefore he could not support the bill at this time. Mr. Fink added "Amen." He said his whole idea, on these appropriations is that they should not be "kicked out" until they know the overall total.

Mr. Degnan moved and asked unanimous consent that HB 179 be amended to include \$1,550,000 for Nome elementary school and reduce the amount for the Nenana multipurpose room from \$850,000 to \$715,000. Mr. Fink objected. Motion carried and Mr. Hohman requested that HB 179 be drafted in the form of a committee substitute.

Mr. Haugen moved and asked unanimous consent that HOUSE BILL NO. 179 be returned to subcommittee. Mr. Degnan objected and motion failed 3-4.

Mr. Hohman said that the approach to the budget is that they are reviewing departmental requests and making deletions in the Governor's revised budget and they will delete if it indicates or increase if it is necessary. This approach was decided to be better than the approach from an absolute percentage increase. He added that they are looking at an appropriation for two individual projects and he felt this should be considered the same as the budget: it should stand or fall on its individual merit.

Mr. Fink felt that if they wanted to build a school that needs to be built, the consideration should be given to all of the other needed schools in the state. Mr. Degnan had pictures of the Nome school which he felt spoke for themselves on the desperate need of a new school. Mr. Fink commented that he thought this was true of other schools in the state.

Mr. Degnan, in reviewing the pictures, stated that the original school is small and does not meet the need so the children are also attending class in small outlying buildings that are old World War II surplus buildings. They are a great fire hazard. Mr. Fink asked Mr. Degnan if he thought the Nome school was worse than some others around the state and Mr. Degnan said that it was and that in his estimation it was one of the worst schools in the state. Mr. Fink still felt it was true of many schools.

Mr. Haugen referred to an earlier legislature that had appropriated \$1 million for a Nome school if the city of Nome could come up with the balance. Mr. Degnan said that was for the regional high

school and this was for an elementary school.

Mr. Degnan moved and asked an unanimous consent that the committee report out COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 179 with a "do pass" recommendation. Mr. Fink objected and four signed "do pass" with Messrs. Fink, Haugen and Warwick signing "do not pass."

HB 66

Mr. Degnan moved and asked unanimous consent that HOUSE BILL NO. 66 (appropriation to Department of Education, Vocational Rehabilitation -- \$200,000) be brought up again for consideration. No objection so ordered.

Mr. Wright moved and asked unanimous consent that HOUSE BILL NO. 66 be amended to read \$150,000 and that COMMITTEE SUBSTITUTE be adopted in lieu thereof. Mr. Fink objected. Mr. Wright again referred to page 69 of the bill minutes wherein it was stated that \$150,000 would be adequate for the two programs. Mr. Hohman thought legislative intent should express the use of this money and directed Mr. Hogan to draft a bill report to accompany HOUSE BILL NO. 66

Mr. Hohman asked Mr. Wright if he would assist in carrying the amended version and Mr. Wright said he would. Mr. Fink withdrew his objection and the \$150,000 amendment was adopted.

Mr. Degnan renewed his motion to report out CS FOR HB 66 with a "do pass" recommendation; also all members signed "do pass" excepts Messrs. Fink and Haugen who signed "do not pass."

Meeting recessed at 3:30 p.m.

HOUSE FINANCE COMMITTEE

8:45 a.m.

PRESENT: All members. Rep. Guess was also present to testify on HB 247. Mr. Hohman called the meeting to order and made the following bill assignments:

HOUSE BILL 348 (relating to deducting political campaign contributions from taxable income) -- Fink

HOUSE JOINT RESOLUTION 63 (relating to deducting political campaign contributions) -- Fink

HOUSE BILL 374 (relating to tax on watercraft fuel) -- Fink

HOUSE BILL 391 (appropriating \$100,000 to Administration) -- Ditman

HOUSE BILL 215 (relating to excise tax on intoxicating liquor)
-- Hohman

HB 247

Mr. Guess stated he was present to discuss HOUSE BILL NO. 247 (creating Department of Transportation) with the committee and would be glad to answer any questions they might have. He said this is an act that is following a trend of other states. It would take Department of Highways, Division of Marine Transportation, Division of Aviation and all modes of transportation and put them all in one department. Mr. Guess pointed out that they are now spread out throughout the various departments, e.g., Alaska Transportation Commission is in Commerce, North Commission in the Governor's Office, so this would be a reorganization to put all of this in to one system and provide coordinated services. According to the fiscal note by David Dean, Senate fiscal analyst, the existing budget for these various departments and divisions would be adequate unless the committee saw fit to "beef" up the planning aspect. The committee would also have the option as per page two of the fiscal note to take Division of Buildings

and put in Administration and Division of Communications could be transferred to Military Affairs or Public Safety. This would save the state \$700,000, according to the fiscal note in administrative overhead. Mr. Guess emphasized that he was not necessarily advocating this at this point but he did think it was an option to be considered.

What concerned him was that they could very easily have highways, ferries, aviation etc., all working at cross purposes. He noted that Mr. Easley and Mr. Strandberg are in favor of this legislation and added that Mr. Strandberg had recommended it to the present administration.

In answer to Mr. Haugen, Mr. Guess said this would eliminate the Commissioner of Highways, but he did not see where this would be a problem as there would be a division of highways.

Mr. Wright wondered if the other states include a Transportation Commission in their Department of Transportation. Mr. Guess answered that some do and some don't. Mr. Wright didn't feel that the same agency that is in charge of transportation should be doing the regulating. Mr. Guess said it is presently in Commerce for administrative purposes and it is a quasi-autonomous commission. He believed it was pretty much of a mess -- as they were behind several hundred cases in their hearings. Mr. Guess felt this commission would have to be reorganized under any circumstances and he saw the point Mr. Wright was trying to make. Mr. Guess said the reason it had been proposed for the new department was because it controls so many instances of the mode of transportation and how much transportation is going to be utilized in any particular field.

In answer to Mr. Wright, Mr. Guess said that HB 247 does provide

for a planning division. Mr. Wright questioned the accuracy of the fiscal note prepared by Mr. Dean and said these figures did not "jibe" with some of those in the book. Mr. Guess said he didn't know as he had not checked them out. Mr. Wright felt none of this had been documented. Mr. Guess wondered if they were over or under what Mr. Wright felt they should be. Mr. Wright said "under".

Mr. Haugen questioned the weights and measures function which is presently in Commerce and wanted to know if it would be transferred to Highways. He added that Bureau of Public Roads has been advocating this for some time; however, part of weights and measures has to do with consumer protection and should definitely not be there. Mr. Guess said he would check into this and let the committee know as he did not have the answer.

Mr. Warwick asked how the administration feels about HB 247 and Mr. Guess told him that the Governor had said in his State of the State message that he was in favor of it. Mr. Guess had also spoken to the Attorney General, Mr. Havelock, and he had expressed approval of it. He said he would be glad to talk further on it with the administration if the committee thought it necessary. Mr. Guess said that only one change would be necessary and this had been pointed out to him by Mr. Easley and that is the effective date. It is for July 1 in the bill but this would conflict with the construction season and this should be changed to January 1, 1972. Mr. Guess said he would research the various questions and report back to the committee.

Mr. Fink commented that he did not feel this bill should be discussed while they are in the process of closing out the budgets.

Mr. Guess then left the meeting.

Meeting recessed at 9:20 a.m.

AFTER RECESS
2:30 p.m.

Present: All members. Representative Frank Ferguson

HJR 48 Mr. Hohman called the meeting to order and said Representative Ferguson was present to testify on HOUSE JOINT RESOLUTION NO. 48 (Relating to the construction of a road from Barrow to Wainwright via the Will Rogers-Wiley Post Monument). Mr. Ferguson testified that in 1970 a survey was conducted at the City of Barrow showing 2,000 people visit Barrow each year. Many tourists wish to see the Will Rogers-Wiley Post Monument, but there is no road to the site and planes must be chartered. Mr. Ferguson asked the Legislative Affairs Agency to draw up a bill proposing a study of the feasibility of such a road, and HJR 48 is the result. He was in doubt as to whether the wording is correct, but the intent was to ascertain whether such a road should be built and which route would be advisable. The monument is located between Barrow and Wainwright, on about a direct line. Federal lands are crossed, but Mr. Ferguson was not sure if the monument was located on federal lands. There was also some question as to whether it was a national monument or a historical site. In answer to a question from Mr. Fink, Mr. Ferguson said the monument is located about 100 yards from the water, but it is too rough to land either on the water or on the land. It is 107 miles from Barrow to Wainwright, and about 200 people live in Wainwright. Mr. Ferguson noted another reason for a feasibility study of a road is that oil exploration is being conducted at Wainwright, and perhaps the city,

from the finance committee and a majority of the members recommended it do pass; four members voting do pass and two members voting no recommendation.

HJR 41 Mr. Warwick moved and asked unanimous consent to bring HOUSE JOINT RESOLUTION NO. 41 (Relating to the Native Land Claims) before the committee. No objection, so ordered. Mr. Hohman distributed correspondence which John Holm had accumulated (see bill file), and said the effect of the resolution would reduce leverage for the native land claims. Mr. Warwick argued that it merely states that extending the freeze would be detrimental to the state. Mr. Degnan said both sides are for an early settlement of the claims, but he believed this resolution would cloud the issue further. Mr. Haugen noted states have never participated in land claims and it is the federal government's responsibility. Mr. Fink moved and asked unanimous consent to pass the bill from committee with individual recommendations and there was no objection. Five members signed the resolution do pass and two members signed do not pass.

HB 282 Mr. Hohman distributed copies of a memo from Bruce Campbell, a memo from the Attorney General's office, and a purpose of bill report on HOUSE BILL NO. 282 (Providing for uniform relocation assistance and real property acquisition practices) to the committee. Questions from the members ensued as to whether the relocation assistance would pertain to just highway relocation or if it would affect more than this; i.e., airports, hospitals, etc. Clarification of this question will be requested from the Attorney General's office and a member of the staff will be asked to testify at another meeting.

Adjourn: The meeting adjourned at 4:10 p.m.

state and federal government would recognize the need for a road. Mr. Warwick said perhaps the Highway Department should undertake such a study. It was noted that the State Affairs Committee had passed the bill, but Mr. Ferguson said he is on this committee and did the necessary paperwork and requested the committee to pass the bill. Mr. Hohman suggested that Mr. Ferguson meet with officials of the Highway Department, determine whether the federal government would pay for a feasibility study and for the road, and send the finance committee a copy of their report. Mr. Ferguson concluded he would like to see the resolution passed in order to express the intent of the state to recommend such a road, and will discuss the possibilities with the Highway Department.

Mr. Ferguson left the meeting at 2:40 p.m.

CS HCR 19

Mr. Fink moved and asked unanimous consent to discuss COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 19 (Relating to the investment of state funds). No objection, so ordered. Mr. Fink said the original resolution was that Alaskan funds be invested in Alaskan mortgages; however, the Commerce Committee limited the interest rate to 6% per year and limited the loans to home mortgages. The Commissioner of Revenue is opposed to the resolution, but the Commerce Committee passed it. Mr. Fink questioned why money is invested outside Alaska at a low interest return, with \$800 million earning 6.4% and the yield going down monthly. Mr. Fink said he believes Mr. Wohlfort will agree that it will go down to 5-1/2%, and noted that a few years ago the legislature was asked to raise the interest rate - now that Alaska has the money it has been invested outside the state. In Portland they are advertising for loans at 6-1/2% and in Alaska they are at 8-3/4%. The FHA interest rate is now at 7%, and closing costs

for a home run about \$1,000. If a loan was made at the Alaska National Bank, for example, the bank could sell to the state and take out 1/2 of 1% for themselves. The difference in interest is substantial, and the public would force the bank to put out these loans if the state would pick them up. Mr. Fink stated it was his opinion that there is a need for mortgages at 6%; whereas the Commissioner of Revenue feels 8-3/4% is adequate. Mr. Fink then explained how FHA loans and conventional loans are bought and sold. He explained that this resolution is not a statute, but if passed by both houses he felt it would force the state to buy mortgages due to public demand. At the end of the last administration the state was buying some mortgages, and if the state went to home mortgages in general and picked up FHA and VA loans, they couldn't exceed \$1 million.

Mr. Warwick read the difference in payments on mortgages between 8% and 6% on a 25-year \$30,000 loan, and the payment difference is almost \$40/month. At 8-3/4%, the difference between 6% would be about \$60/month. The Commerce Committee felt 6% would be an easy figure to work with, and in a year from now Mr. Fink said this would be more than the fund is earning invested outside the state.

Mr. Warwick asked how risks on bad loans can be controlled and Mr. Fink said on an insured mortgage FHA takes the risk. On a conventional loan, the financial institution could only sell the state a percentage -- say \$75,000 of a \$100,000 loan -- and the theory is the bank will not make a loan to a bad risk if they must keep part of it. Mr. Fink moved and asked unanimous consent to pass CS HCR 19

HOUSE FINANCE COMMITTEE MEETING
April 8, 1971
2:55 p.m.

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

Bill Assignments:

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

- SENATE BILL NO. 157 (An Act abolishing the Dept. of Fish and Game -- Messrs. Ditman and Haugen
HOUSE BILL NO. 336 (An Act relating to the disaster fund relief) -- Mr. Hohman
HOUSE BILL NO. 337 (An Act appropriating to the Office of the Governor) -- Mr. Hohman
HOUSE BILL NO. 88 (An act facilitating completion and maintenance of federal flood control projects within the state) -- Mr. Hohman

Henry Holst, Chief of the Highway Section, from the Department of Law, entered the meeting.

HB 282 Chairman Hohman said the committee would consider HOUSE BILL NO. 282 (An Act providing for uniform relocation assistance and real property acquisition).

The committee discussed a letter from Donna Spragg, Assistant Attorney General, which contained some proposed amendments. Mr. Fink asked if this is to comply with the federal Highways Act, why it was not limited just to Highways. Mr. Holst explained that the federal Highway Act of 1970 is not all the

legislation. This also dovetails with the Uniform Relocation Assistance Act of 1970, Mr. Holst added. Mr. Fink said then this would also apply to the Hill-Burton Act. Mr. Holst said he would imagine so, if they required someone to move from their dwelling.

Mr. Warwick asked what would be the effect if the committee did not pass this bill. He asked how it would affect the federal receipts. Mr. Holst said personally he thought it would cripple the program -- he thought they would cut out federal payments. Mr. Warwick requested a copy of the Uniform Relocation Assistance Act. Mr. Fink read parts of this Act to the committee.

Mr. Hohman asked if the proposed amendments in Miss Spragg's letter were being recommended by the administration.

Mr. Holst said he did not know, he was not authorized to say. Mr. Holst said the amendments were not put in the state's draft of the original bill because federal law does not require this; however, federal law does require housing be available and this is impossible in Alaska (particularly in Juneau because of the shortage in housing). He said the amendments being suggested will "plug the gap". Mr. Holst said if there is no housing the state cannot build now and this amendment says this will assist the people in making plans for loans and if necessary building the houses. Mr. Holst said he had written to the federal attorney and he had suggested this might well be done. Mr. Holst read the attorney's letter. (see bill file)

Mr. Fink asked what the effect of the first amendment would be. Mr. Holst said this is also in the federal act. It would make

it impossible for a state agency to move until they did provide housing for the people who would be moved. Mr. Fink said he thought the bill provided for this. Mr. Holst said the bill says that the state must provide assurance that there is available to these persons housing that is similar, safe and sanitary. Mr. Holst said this amendment is the "hammer" to make sure this is done. Mr. Hohman questioned why this is needed when they have the threatened loss of federal funds. He felt this was enough of a "hammer". Mr. Hohman asked what kinds of problems they would have if they did not include this. Mr. Holst said right now he did not believe there would be any problems. He did not see any problems from a legal point of view but from a practical point of view there would be a problem because of the housing situation in Juneau.

Mr. Holst said the federal attorney had suggested second amendment (see bill file).

Mr. Holst said he had been working on the Outer Drive communications and they are in a "snag" as there is no place to relocate these people unless they have the power to go out and build.

Mr. Hohman asked about the Orpheum Rooms (Juneau). Mr. Holst did not know for sure if this was included in the Outer Drive project. Mr. Holst thought this was involved in the project and also the Urban Renewal project.

Mr. Hohman said he understood this would be in conformance with the federal highway match. He wanted to know what the match would be for this relocation. Mr. Holst said he could not give the committee a blank answer -- it depends on what federal program they were operating under.

The committee requested a committee substitute be prepared.

This would include the proposed amendment.

Mr. Holtz left the meeting.

Recess: The committee recessed at 3:20 p.m.

AFTER RECESS

3:45 p.m.

The committee considered a bill providing for career and higher
HB 415 education scholarship loans. (This later became HOUSE BILL NO. 415.)

Mr. Fink moved that the figure be \$2,500 per school year for limit of loans. The committee discussed the word domicile and Mr. Fink said he felt domicile meant the person has to intend for Alaska to be his home. The committee discussed the residency requirement.

Mr. Fink moved they make this a three years residency (line 19 of the bill). Mr. Wright questioned what would happen to the military personnel who are here in Alaska. Mr. Warwick felt two years would be a sufficient requirement. The committee discussed this.

Mr. Fink moved to change this to two years and the motion carried. The committee discussed the provision for forgiveness.

Mr. Warwick felt they should make the pay back easy. Mr. Fink said this could be paid back on a payment schedule within 5 years; however, the Department of Education may extend the payment for an additional two years due to hardships. The committee discussed the means of funding for this bill and the effective date clause. (The effective date clause on the final version reads that the law shall become effective on July 1 of 1971 or on the date that the existing contractual agreements law is enjoined by the courts, whichever is earlier. Funding of the 1971/72 fiscal year scholarship loan program should contain the same language so that funds will be available for the new law should it go into effect prior to the beginning of a new fiscal year.)

The committee recessed at 4:00 p.m.

HOUSE FINANCE COMMITTEE

8:30 a.m.

PRESENT: All members.

Mr. Hohman made the following bill assignments:

HOUSE JOINT RESOLUTION NO. 48 (relating to the construction of a road from Barrow to Wainwright via the Will Rogers-Wiley Post etc.) -- Degnan

HOUSE BILL NO. 35 (State grants for school construction within borough and city school districts) -- Fink

HOUSE BILL NO. 140 (Relating to comprehensive health planning) -- Wright

HOUSE BILL NO. 53 (Appropriating to the school construction fund) -- Fink

HOUSE BILL
226

Mr. Hohman moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 226 (Court System supplemental) be reported out of committee with a "do pass" recommendation and include a committee report. Mr. Warwick objected and CSHB 226 was reported out with the following recommendations:

do pass: Degnan

do not pass: Messrs. Warwick and Haugen

no recommendation: Messrs. Hohman, Fink, Ditman and Wright.

HOUSE BILL
282

Mr. Hohman moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 282 (providing for uniform relocation assistance and real property acquisitions) be adopted in lieu of HOUSE BILL 282 by the committee and reported out with a "do pass" recommendation. No objection so ordered.

Meeting recessed at 8:45 a.m.

AFTER RECESS

1:45 p.m.

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

SB 157 Mr. Hohman called the meeting to order and moved and asked unanimous consent to bring SENATE BILL NO. 157 (An Act abolishing the Department of Fish and Game working capital fund) before the committee. No objection, so ordered. Mr. Warwick questioned the rationale behind the bill, since the working capital fund is set up for accounting control. Mr. Hohman read the Governor's letter (see bill file), which expressed dissatisfaction with the cost accounting procedures. Three different administrators have attempted to make this fund workable, but a deficit operation has resulted. The Governor felt the repeal of the fund would be in the state's best interest, and Mr. Haugen said appropriations will be made directly to a vessel and aircraft account and provide better control. Questions still were asked on the fund and Vern Roberts, Director, Division of Administration, Department of Fish and Game, was called to testify. Mr. Roberts arrived at the meeting at 2:00 p.m. and gave the following explanation: The Working Capital Fund has proven unworkable, due to fixed costs for owning and operating equipment. In the past there has been insufficient money to cover the cost of operation, and every year for five years there has been a deficit, with a declining balance in the fund itself. With a direct appropriation, it would be known exactly what the operating funds would be and operations could be adjusted accordingly. Now, if during the course of a year the program is changed so the vessel no longer needs funds, you can't wipe out the