

MOORE / SENATE / COMMITTEE - 1987-1988 - 2519

HOUSE FINANCE COMMITTEE MEETING
February 22, 1971
9:15 a.m.

Present: All members except Mr. Fink. Mr. Robert Butler, Deputy Commissioner; Mr. Reuben Hanson, Administrative Officer; Mr. Tom Givan; and Mr. Jack Tinsley, Director, Veterans Affairs, Department of Commerce, were also present. Mr. Ron Lind, Budget and Management, was also present.

DEPT. OF COMMERCE

Chairman Hohman called the meeting to order and asked for a general statement of the Department of Commerce budget. Mr. Hanson said the 1970-71 Authorized was \$4,191,600 and the Department Request was \$3,654,500. Mr. Hanson said the differential of this would have been the increase of \$1,000,000 in the prior year in remote housing. He said to date nothing has been budgeted for this. There will possibly be something coming through this legislative session, Mr. Hanson said.

Mr. Hohman said there are 17 new positions granted by the Governor's Budget Review Committee. Mr. Hanson said this was correct. Mr. Hohman wanted to know where these positions were. Mr. Hanson listed the priority of the new positions requested in the Commissioner's Office. They are: (1) Clerk Typist III (Juneau), (2) Accounting Clerk III (Juneau), (3) Admin. Officer II (Anchorage), and (4) Clerk Typist III (Anchorage).

Mr. Hohman asked if the part time clerical aid in the Division of Insurance was granted. Mr. Hanson said yes. Mr. Hanson pointed out that the approved positions are positions granted by Governor Miller's Budget Review Committee -- they have no feed back from Governor Egan's committee. Mr. Hohman said the clerical aid was not allowed. Mr. Hanson said this was true. Mr. Wright said the committee keeps getting Governor Miller's approved budgets and they do not know whether they are talking about the previous administration or the current administration. He felt they were "spinning their wheels". Mr. Wright asked if they were presenting Governor Egan's budget. Mr. Hanson said they have received nothing from Governor Egan's committee.

Mr. Hohman asked if the books used were the same as the ones the committee had. Mr. Hanson said he would assume so. Mr. Hohman said then the information regarding the clerical aid was not correct. Mr. Hanson said that the positions on the list (this list is included in the Department of Commerce presentation in the Budget Request books) were all the ones they had presented to the Review Committee. Mr. Hohman requested they go through the list and tell the committee which ones were disallowed.

Mr. Hanson said that page 19 of the budget shows the positions allowed; however, in their second testimony

before Governor Egan's Budget Review Committee they asked that the priority be changed (the Clerk Typist III and Accounting Clerk III had been disallowed and these positions were changed to priority 1 and 2). Mr. Hohman said then they expect a reversal.

Mr. Haugen asked if there was an increase in the budget and Mr. Hanson said yes.

Mr. Warwick asked why the Clerk Typist III in Juneau showed a cost of \$4,000 more than the Clerk Typist III in Anchorage. Mr. Hanson referred to page 21 which shows the position in Juneau. There are additional costs in code 300 and code 500. Mr. Warwick noted there is a rental of a MTST. Mr. Hanson said this is necessary due to the new records management and if they are going to do a good job they need this. Mr. Warwick asked if there is a person presently doing this now. Mr. Hanson said yes, a temporary position. Mr. Hanson said there is an Accounting Clerk III now but with the growth of input from various divisions they can no longer do it with one position. He said now there is no one to back up this position and the work load is heavier than one person can do. He added this person handles disbursements and revenues that go through administrative services. Mr. Hanson said the Administrative Officer II position would be in Anchorage if this position is

allowed. He said this position would allow the public a place to obtain forms. He said the Clerk Typist III in Anchorage would be a backup for the Admin. Officer II. Mr. Hanson said hopefully they could use all four positions in order to do a good job. Mr. Hanson said the first review committee allowed the two positions in Anchorage but they have now asked for a reversal as the priorities are higher in Juneau.

Mr. Hanson said the Division of Banking is requesting a Bank Examiner I. He said the back up for this is on page 39. Mr. Hanson said the total cost of this position would be \$26,347. He added that they do have a Bank Examiner at the present time but they could use two Bank Examiners. He said there is more than sufficient work for two Bank Examiners and that they would very much like to have this this year. Mr. Warwick asked what does the Bank Examiner do -- what are his goals. Mr. Hanson briefly explained this (listed on page 39 of the budget). In answer to Mr. Haugen, Mr. Butler said just the bank in Petersburg is not FDIC insured and they will be merging with NBA. Mr. Warwick asked if the Bank Examiner put out a report. Mr. Hanson said yes and Mr. Warwick requested a copy of this for the last fiscal year. (Later in the meeting it was noted it would not be possible to have a report for the last

fiscal year and Mr. Warwick qualified his request to any reports the Bank Examiner has done).

Mr. Hohman asked how much travel the Bank Examiner I will do in terms of dollars. Mr. Hanson said the total estimated cost of travel is \$5,035. Mr. Hohman said then they will be reimbursed for his travel by 80 per cent by the banks he works with. Mr. Hanson said this is just an estimate at this time. Mr. Hohman asked if 80 per cent was the best estimate and Mr. Hanson said yes. In answer to Mr. Hohman, Mr. Hanson said this money would go in the general fund. Mr. Hohman asked where this reimbursement would show in the Revenue Sources Document. Mr. Hanson said this would be in code 535 but this would not be just for the banks. He said part of this would be for the other Examiner and there would be about \$14,000 between the two. Mr. Hohman asked if they have a Bank Examiner in FY 71. Mr. Hanson said yes. Mr. Hohman asked if the Security Examiners are reimbursed. Mr. Hanson answered no, not at the present time -- if they would work in this area they could possibly be reimbursed but they have not been working in this area. Mr. Hohman asked how long they have had the Bank Examiner II and Mr. Hanson said this was established last year. Mr. Hohman asked if this was by Executive Order 20 and

Hanson said it was in the budget last year. In answer to Mr. Hohman, Mr. Butler said they have an Examiner II on board but they are seeking to get an Examiner I. Mr. Hohman said then the Bank Examiner I does not exist now and Mr. Hanson said this is correct. Mr. Hohman said then the \$7,000 comes from that one position. Mr. Hanson said this would not necessarily be from one position -- there could be some board positions. Mr. Hohman said this \$7,000 must come from the Bank Examiner II and his travel. Mr. Hanson said the II and also the I and Mr. Hohman said the I does not exist. Mr. Hohman said the Bank Examiner II did not come on board until the budget was effected in July. He felt there was something funny about the projections in code 535. Mr. Lind said that the \$7,000 is revised for 1971 and they anticipate collecting this but it was not part of the estimates for 1971. He said that 1972, 1973 and 1974 should be included in code 600 for services rendered. Mr. Hohman said this is a change of procedure and Mr. Lind said in the past they have had no estimates. He said this is the first estimate they have had.

Mr. Hohman requested that Mr. Lind check this out.

Weights and Measures

Mr. Hohman asked for an explanation of the new positions requested in Weights and Measures. Mr. Hanson discussed the Lab. Metrologist position requested for Anchorage.

Mr. Degnan asked what this man would do. Mr. Hanson said he would be the main technician in the laboratory. He said that page 82 of the budget is a narrative for this position. Mr. Warwick said he could still not understand the need for this and asked if there was a specific problem. Mr. Hanson said this person would check gas meters, etc. and that it took someone technically trained to do this. He added they are doing a lot of work on electrical meters. In answer to Mr. Warwick, Mr. Hanson said they are checking gas meters in residential areas and this is quite a job. He added he is in no position to go into technicalities. Mr. Butler explained that the purpose of this division is to see that the public gets a "fair shake". He said the main purpose of the gas meters is to see they are functioning properly and that the consumer is getting the full amount. Mr. Warwick asked if they had received complaints along this line and Mr. Hanson said yes. Mr. Hanson said they have had a lot of complaints about too much mercer in the yarn. Mr. Hanson read the job description for the Lab. Metrologist listed on page 82 of the budget.

Mr. Wright asked about the \$80,000 of federal funding. Mr. Hanson said this was given as a gift to this division and in return the State sent a Christmas tree to Washington, D. C. Mr. Hanson said this \$80,000 was given in-kind in equipment.

Mr. Hanson spoke on the need for the Motor Vehicle Inspector in Fairbanks. He said they are going to move their scale house from North Pole to the new highway out of Fairbanks. He said if they are to obtain federal Bureau of Public Roads funds they must supervise and check traffic. He said they are asking for two inspectors to man this scale house. Mr. Warwick asked if the scale house could be moved out of town to avoid the four lane highway. This was discussed and Mr. Hanson said the Bureau of Public Roads somewhat tells them where they must have these to meet requirements. Mr. Wright asked if this request was in writing. Mr. Hanson said most of this information is in Anchorage. Mr. Warwick requested a copy of the memorandum mandating this. Mr. Hanson said within two or three years there will be four scale houses in Fairbanks.

Occupational Licensing Mr. Hanson said they had requested four new positions in Occupational Licensing. The Inspector had been disallowed, the Clerk Steno II had been disallowed and one of the Licensing Examiner I's had been disallowed. One position for Licensing Examiner I in Juneau had been allowed but Mr. Hanson said if they are going to continue they have to have two positions. Mr. Wright asked why they needed two and Mr. Hanson said they had a 27 per cent increase in licensing. Mr. Givan said the Inspector in

Anchorage was one of the highest priorities they have. He added they have a need to cover complaints that this division receives. He said they receive numerous complaints and they have to investigate to see whether there is anything they can do. Now they are doing this all from Juneau in writing. He said it takes three or four weeks to resolve this. Mr. Givan said for the past two years they have tried to get somebody in Anchorage to represent them and each year they have been turned down and Mr. Givan said the legislators could expect to hear from the nurses association. In answer to Mr. Wright, Mr. Givan said these groups are asking why they don't get the services their fees entitle them to -- if they do not get the services why don't they reduce their fees. Mr. Givan said the average of fees charged is over the average of expenditures. Mr. Wright said that all groups are not carrying their weight. He said the dental group offered to pay higher fees.

Mr. Hanson said the priorities for the new positions requested in Occupational Licensing should be Licensing Examiner I positions (1) and (2), Inspector (3) and Clerk Steno II (4).

Mr. Butler explained that the Division of Licensing like most of the Department of Commerce is a regulatory enforcement agency -- for practical purposes it is not that. He added

that Anchorage is a place where they need some examination or investigative help and they think they need at least one person to handle this.

In answer to Mr. Wright, Mr. Givan said he did not have the secretary he was entitled to and that for budgetary reasons he was working in the hole. Mr. Givan spoke on some of the problems in his area -- he said the welding board has just come into existence and they did not know how many welders they are going to get.

Mr. Wright said he was on the Dental Board and had visited this office and did not feel they were "up to their necks". He said he was sympathetic for the inspectors but not for "paper shuffling".

REG. OF PUBLIC SERVICE Mr. Hanson said the 1970-71 Authorized was \$977,000 and the Department Request was \$1,666,200. The Governor's Allowance was \$1,358,700.

Mr. Hanson said that the Public Utilities 1970-71 Authorized was \$580,900 and the Department Request was \$778,700 and this is an increase of \$197,800 (However, the Governor's Allowance is \$691,300).

Mr. Hanson said the Hearing Officer (Anchorage) had been allowed, the U. F. Analyst I had been allowed and the Clerk Steno II (Anchorage) had also been allowed. However, the U. F. Anal. III (Anchorage) had not been allowed.

Mr. Hanson said the priorities are Hearing Officer (1), U. F. Analyst I (2), Clerk Steno II (3) and U. F. Analyst III (4).

Mr. Hanson noted the positions allowed cost \$48,200.

Mr. Haugen asked what kind of revenue they are getting back in the Public Utilities section. Mr. Hanson said they do get some reimbursement in regards to hearings that they hold. He said that in services rendered in unrestricted general fund for FY 71 they expect \$4,170 to go into the general fund and in FY 72 the estimate is \$55,000. He said last year this came under code 660 and changed this year by Budget and Management to code 665.

Mr. Wright asked the total number of new positions for the Department. Mr. Hanson said they requested 34.

Mr. Wright asked how many positions had been deleted and Mr. Hanson said 15 and this did not include Veterans Affairs. Including Veterans Affairs this would be 18, Mr. Hanson added. He said he would like to mention funding for Veterans Affairs is out of the revolving fund -- not out of the general fund.

Mr. Wright referred to a fiscal note for HOUSE BILL NO. 22 (an act relating to Veterans Affairs). He said the new positions requested comes to about \$30,000. Mr. Tinsley said this is for this fiscal year and the new positions for FY 71-72 amounts to \$80,000. He added this lower figure is for the remaining six months. Mr. Wright asked how

this could be if the bill were not effective until July, 1971. Mr. Tinsley said some bills are in effect the day of passage and they had to cover this.

Mr. Wright asked if HB 22 passes, if the new positions as shown would be the personnel required. Mr. Tinsley said yes, however they should have at least two months to "gear up" for next fiscal year.

Mr. Warwick asked how many personnel are in Veterans Affairs.

Mr. Tinsley said if they were fully staffed there would be 12. they have.

Mr. Haugen asked how many vacancies/ Mr. Tinsley said

they have had two since November 1. Mr. Warwick pointed

out they were requesting five new positions which would raise their staff 50 per cent. Mr. Tinsley said they have

not had the necessary money to make loans. He said last year they processed 111 loans but they could have put out 311 loans but needed additional money. In answer to

Mr. Warwick, Mr. Tinsley explained the process of applications.

Mr. Warwick felt it unbelievable that there was so much paperwork that 10 people could not process at least a loan a day. Mr. Tinsley pointed out they make their own appraisals and this might involve sending a man to Kenai or Kodiak.

Mr. Butler pointed out they make their own construction inspections, etc. He explained how much time is involved in this and that they do not have an organization such as FHA where they have their own appraisal staff, etc.

Alaska Transportation Comm.

Mr. Degnan asked which new positions were disallowed under Alaska Transportation. Mr. Hanson said the following new positions had been disallowed -- Executive Director, Tariff Specialist II, Field Agent I, 2 Secretary I's, Clerk Typist III p. t., Field Agent and Field Agent II. Mr. Hanson said they have not had a Field Agent in Juneau and they feel they should have one.

Mr. Wright referred back to Veterans Affairs. He asked how many loans the present crew could handle. Mr. Tinsley said the present crew this fiscal year for a period of six months processed 100 loans and they have approximately 35 in the mail rack. He said that 150 to 200 loans would be pushing them (with 10 people on board). He added that by making more veterans eligible and having the necessary money they would have a big influx of applications.

Mr. Fink entered the meeting.

Mr. Butler reminded the committee that HB 22 is only one of 8 bills "in the hopper".

Mr. Wright said in reference to Mr. Tinsley's remark that they would need 7 additional people to process 100 more loans. Mr. Tinsley said maybe not 7 but they would need additional personnel. Mr. Wright asked how many more they would need. Mr. Tinsley said they could probably reduce their request down to 5 new positions. In answer to Mr. Wright, Mr. Tinsley said they had requested 5 new positions/and two positions were to be upgraded.
on the fiscal note

Mr. Hohman said that Mr. Wright was the chairman of this

subcommittee and any information that could be provided for him would ensure the proper handling.

Mr. Hohman asked for a restatement of the positions authorized by the Governor's Budget Review. He said they should have 17 and he could only find 16. He asked for a written clarification on this.

Mr. Hohman said the Department had replied to the committee's request for information but the section on Veterans Affairs was not covered. He requested this be sent to the committee.

Mr. Tinsley said that positions were disallowed in Veterans Affairs with the idea that they could come in with a fiscal note and back this up.

Mr. Wright pointed out that the narrative in the fiscal note and the budget were the same. Mr. Wright said even if the administration shot them down they have some holes in the budget.

Mr. Haugen questioned whether this was the old budget. He pointed out they were in the 45th day of the legislature and if there were changes they should know by now. Mr. Butler said as far as he knew nothing had happened as far as feedback. Mr. Haugen said this is creating a frustration and the legislature is concerned with what position is going to be taken and if there is going to be a revision in the budget.

Adjournment: The meeting adjourned at 10:45 a.m.

HOUSE FINANCE COMMITTEE
February 23, 1971
9:20 a.m.

Present: All members with the exception of Mr. Fink. Eric E. Wohlforth, Commissioner; Robert D. Stevenson, Deputy Commissioner; Philip A. Wall, Director of Administrative Services, Department of Revenue; Ronald Lind, Budget Analyst, Budget & Management.

Dept. of Revenue

Mr. Hohman called the meeting to order. Mr. Wohlforth summarized the Department of Revenue's budget as follows: A memorandum was submitted to the committee on February 22, detailing the budget request to maintain operations under normal growth and presenting new and expanding programs. An impact on the budget for 1972 is the budgetary request of \$455,000 for fully reflectorized license plates. Last session a law was passed for reflectorized license plates, provided for in this budget. It is a desirable safety requirement, but doesn't justify the cost, according to Mr. Wohlforth. The estimate is for \$300,000 over the partially reflectorized plates now in use. Mr. Hohman asked how this compares with the fiscal note submitted last year, and Mr. Wall said they cost \$1.46 per set, or \$0.72 per single plate. It was estimated to cost \$345,000 last year, and this figure has been refined to \$300,000. \$155,000 is the cost of the partially reflectorized plates now in use. Mr. Degnan asked if one plate would be sufficient and Mr. Wall answered this is an option which many states have elected to do.

Mr. Wohlforth said the 1972 fiscal year request includes a recommendation for a head revenue field auditor, since Audit currently lacks field audit capacity. There is an area for increased support to the

Excise Tax Division since four major taxes are collected here: motor fuel, alcoholic beverage, cigarette and oil and gas production, and severance taxes. \$25 million was collected last year and the department is grossly understaffed. The cost per dollar is the least of all tax collection categories. A further request is for an investigator supervisor position in the ABC board, who would provide direction of the program when the director travels. Required throughout the department, and especially motor vehicles, is increased data processing support, necessary to maintain existing programs and define new ones. Additional workload results from the investment of the \$900 million oil portfolio.

Mr. Wall said they are concerned with the process of motor vehicle titles, now delayed from two weeks to three months. The department has been severely criticized because of the delay and they have explored several ways to reduce the turn-around, including using the computer center at the City/Borough of Anchorage. \$60,000 has been requested to support the computer costs for processing titles and maintaining files.

Mr. Wohlforth said the Treasury Division's original budget request shows \$250,000 in professional fees and services. They have asked that this be increased to \$400,000. It is necessary to draw on the oil portfolio funds from time to time, and efforts should be made to keep every cent invested. Revenue should develop a cash flow forecast for a couple of months, and develop a program to determine agencies' demands. Without this ability, an overly large amount of short-term securities must be held, which is undesirable.

Mr. Haugen left the meeting at 9:35 a.m.

To forecast cash demand based on changes in the budget and appropriation requests as they develop during the session, a computer model is being developed to put in assumptions and match against securities in the portfolio and the demands of the cash flow. Assistance is needed in developing statistical information on the effect of state deposits in Alaska banks to determine whether or not the deposits are producing what they were expected to produce. Outside investment counsel is necessary, and possibly the Bank of America will be put on a direct fee basis rather than the normal dealer profit basis, which may be advantageous to the state. This will give them the ability to avoid being locked in with the Bank of America for the next fiscal year. For these reasons, the Department of Revenue has requested the amount be increased from \$250,000 to \$400,000. (Amount is requested in contractual services in the Division of Treasury.)

Mr. Warwick asked for more information on the subject, and Mr. Wohlforth continued explaining: The fund has been drawn down by \$95 million to date, in spite of the fact that dividends have been reinvested. A cash flow model will show what weeks money is needed and in this way the fund can be fully invested in long-term securities. Mr. Wohlforth explained the locked-in basis with the Bank of America, under which they are paid a normal dealer profit, which is charged to the portfolio and does not come to light unless Revenue demands to know the charge. A percentage is charged on the difference between the bid and asked price, which arrangement is unsatisfactory to Mr. Wohlforth and he does not wish to continue in this fashion. Mr. Warwick said he did not understand how we could be locked in with the Bank of America on

this and Mr. Wohlforth said the charges have never been defined and unless additional funds are budgeted, there will not be enough money to explore other areas.

Mr. Hohman left the meeting at 9:40 a.m.

Mr. Wohlforth continued his explanation of the budget request and said with the deletion of the reflectorized plates, plus other adjustments, the increase would be \$52,000 above the Governor's budget review allowance. However, what the budget review which is now going on will do is not known.

Mr. Stevenson said certain questions were asked by the Management Analysis Center as to proposed items of the Department of Revenue. A memorandum was prepared to answer these questions, copies of which were provided to the finance committee. (See department file.)

Briefly, it lists major tax divisions with revenue and expenditures directly attributable to them.

The tax administration picture changed on December 9 with respect to a new law in effect on collection of non-resident income tax, according to Mr. Stevenson. The Department of Revenue is now charged with the responsibility of collecting income tax from non-residents, concerned mainly with fishing fleets and their crews. Mr. Wohlforth said this is still subject to litigation and the Attorney General's office is trying to change the picture. Mr. Stevenson said there is a ratio of 3 to 1 on non-resident fishing licenses versus resident, and the withholding feature is no longer allowed. Mr. Ditman summed up the situation by saying they are obviously trying to beat the set-up and Mr. Stevenson said they really want to tax the resident state and there is no tax in Washington, California or Oregon. When the Seattle office was open, the department could collect the taxes there, but it is

difficult to patrol the northwest from up here.

Mr. Wall said the computer program being used now should reduce costs even further in collecting taxes, and they are searching for a minimum figure as to where the cut-off point should be. The primary concern is with motor vehicle titles, and a rate charged of \$2 for each transaction handled. One of the areas involved recommendation of inequity of cost of title versus cost of administration.

Mr. Warwick questioned the computer model and asked the status. Mr. Wohlforth said the documentation is in process now, and should be ready in a week's time. There have been a number of runs already on the basis of revenue projections, which will be presented at the hearing tomorrow in Anchorage, and he is pleased with the results.

Mr. Wright requested a revised list of priorities, predicated on the fact that the budget may be limited to a 10% increase over last year's budget. Mr. Stevenson said the present request is based on a 15% increase, which would be brought down to \$52,000 if the reflectorized licenses plates are eliminated. Mr. Wohlforth said the reflectorized plates will not be high on their list of priorities. In a conversation with the commissioner of Public Safety, the commissioner said these plates would be desirable but are not of critical importance. Mr. Wall said it would cut the cost in half by going to a single plate, and even cheaper would be to use a tag instead of issuing new plates every two years. The current plans to come out with new plates in 1972 are a result of the law passed last year. The turn-over of vehicles in Alaska, 1/3 of the vehicles leave every year, makes it unnecessary to issue new plates so often.

Mr. Ditman questioned the procedure for locating income tax violators in Washington based on the new law and Mr. Stevenson explained the various methods. It is possible to check non-resident fishing crews through the licensing section, but if a violator will not provide the information requested it will be necessary to turn the case over to the Attorney General's office.

Recess: The meeting recessed at 10:05 a.m.

HOUSE FINANCE COMMITTEE MEETING

March 1, 1971

9:00 a.m.

Present: All members except Messrs. Fink, Degnan and Wright.

Senator Hensley and Mr. Dan Casey were also present.

Mr. James W. Amos, Superintendent of Airport Operations, SO. Dist.; Robert J. Rowan, Administrative Officer; and Clayton C. Hueners, Chief Design Engineer; and Charles Buck, Director of Communications, from the Department of Public Works, were also present.

Chairman Hohman called the meeting to order. Mr. Buck read a statement regarding the "Bush Phone and Department of Education Communications Program" (see pages 221-223 for this presentation).

Representative Kerttula entered the meeting.

Mr. Hohman said he understood that RCA intends to honor its commitment for bush phones in some 44 villages. Mr. Buck said he had contacted RCA and asked them to notify the Division of Communications regarding their plans. He said some of this would overlap. RCA had advised them that they would not longer provide for villages that have VHF telephones (see telegram on page 224). Mr. Hohman asked how satisfactory the VHF phones are and Mr. Buck said they are quite satisfactory; however, they have limitations. He felt there is going to be a requirement for both types of services. In answer to Mr. Hohman, Mr. Buck said the VHF phones have no problem with static.

Mr. Hohman asked if RCA had responded to Mr. Buck's inquiry and Mr. Buck said no.

Mr. Kerttula said he felt the communication received from RCA suggesting they had to know about the state's contribution within three weeks time in order to install communications in the bush is false. He felt RCA had no set time. Mr. Hohman said he had heard they extended their deadline by two weeks. Mr. Kerttula said this is a fabrication.

Mr. Kerttula asked what was done in Chalkyitsik and Mr. Buck said the equipment BIA left was converted to use on state frequency. Mr. Kerttula had been in Chalkyitsik and said they could not get in or out for three days. Mr. Buck said he was not sure when this conversion had taken place -- the supervisor in Fairbanks had gone in twice in the last six months and has not found any difficulty. Mr. Buck spoke on the progress being made in the villages and added that Tanana still has some problems in communication.

Representative Ferguson entered the meeting.

Mr. Buck said he was concerned that the state has not heard from RCA. He said Alaska was probably the biggest bush phone customer RCA has. Mr. Hohman felt the state had been passive in so far as bush communication. He said that the inquiry had been made 10 days ago and this does not show a real concern for what's happening in the bush. RCA has suggested they might upgrade and provide educational television in addition to telephones but it appears the state has not developed any plans for working with RCA in helping to upgrade this system, Mr. Hohman added. Mr. Buck said a great deal of effort has

been put in on this but not at the division level. He said this is above the Director of Communications and added that a great deal of research has gone into this.

Mr. Buck left the meeting.

Mr. Kerttula said he felt some place in the budget they should have an area to allow intervention on behalf of the state in all federal programs. He said they had considered that the Public Service Commission could do this but in some ways it would be a conflict of interest. He said he brought this to the Finance Committee's attention in order to call it to the administration's attention.

Mr. Hohman asked about the appointment of Bob Arnold.

Mr. Casey said that Bob Arnold was contracted to do the federal communications study by the U. S. Department of Commerce. He said there are reports in the Attorney General's office regarding this that he felt would be valuable to the committee.

Mr. Kerttula said theoretically the Division of Communications could enter into this area or perhaps there could be another avenue in the Governor's Office. Mr. Casey said House Bill No. 162 is an act relating to the powers and duties of the Public Utilities Commission and gives the PUC authority to appear and represent the interests and welfare of the state in all matters involving a public utility.

Mr. Haugen asked if this would be outside of the Division of Communications budget and Mr. Kerttula said yes.

The committee discussed the state's involvement in communications.

BUSH PHONE & DEPARTMENT OF EDUCATION COMMUNICATIONS PROGRAM

It is difficult to draw a sharp line between the two networks; Bush Phone and State School stations. Essentially they serve much the same purpose; providing communications for the remote localities of the State. In an attempt to avoid duplication of equipment at any given village, we have tried to provide one radio, either in the school or in a village residence, depending upon circumstances and the desires of the inhabitants. In either case, the radio must be available when needed to both the school teacher and the village residents.

When the radio is installed in a school, additional local government frequencies are provided for exclusive use of the teacher in maintaining contact with other Department of Education stations.

Until recently, when the State Operated School System began to develop in the outlying areas, this Division was concerned only with the Bush Phone system. Stations were installed by the State only if a village requested it, and if they could show a need for same. In many cases the BIA communications facilities served the needs of the villages and there was no need for the State to become involved.

Now, with the State taking over more and more of the BIA schools, and the included radio facilities, this Division has become much more deeply involved with remote area communications. The ex-BIA radio equipment must have the government frequencies removed, and State licensed frequencies installed. General maintenance of the equipment and adjustment of antennas is usually required. At this writing, there are approximately 45 school stations and 60 Bush Phone stations, being maintained by the Division.

All of the equipment we now have in these stations is quite old AM type, most of it low powered, and long overdue for replacement; both in the State Bush phone installations, and in the recently acquired ex-BIA stations.

Accordingly, we have begun a program of replacing this equipment with new single-sideband transceivers. Cost of new equipment runs from \$1500 to \$2000 per installation, so funding is obviously a limiting factor in implementing this program. While single-sideband is not a complete solution to remote area communications by any means, it should be an improvement over present facilities.

The first of the SSB equipment recently installed, or shortly to be done so, includes 9 stations in the Bristol Bay/Alaska Peninsula area, and 3 in Interior Alaska. (Note 1.)

Presently on order are 13 new units; 5 planned for the Bristol Bay area, and 8 for Interior and Northwestern Alaska. (Note 2.)

Equipment recently requested through Supply, which has not, as yet, gone to bid, includes 12 new SSB transceivers. Locations for these units have not been decided upon yet.

When final installation of all of the above listed equipment is complete, approximately 35% of our present Education/Bush Phone system will have been replaced. Future progress of the program will depend upon funds available to the Division. It is expected that additional BIA schools will be taken over by the State as time goes on. Recent correspondence with BIA officials indicates that in the future, they will leave their single-sideband equipment in the schools when they are turned over to the State. This then should eliminate the need for replacement equipment in these future State stations.

Enclosed is a booklet showing Division of Communications Facilities, current as of June 1, 1970.

Pages 2-3, Bush Phone stations; and pages 6-7, Department of Education stations; have been up-dated and are current as of February 1, 1971.

Note 1: Interior: Anaktuvuk Pass, Huslia, Stevens Village.
Bristol Bay/Peninsula: Akutan, Aniak, Cold Bay,
Kokhanok Bay, Newhalen, Nikolski, Nondalton, Pedro
Bay, Chignik Lagoon.

Note 2: Bristol Bay: Platinum, Togiak, Manokotak, Levelock,
Dillingham.
Interior/Northwestern: Allakaket, Koyukuk, Eagle,
Hughes, Minto, Ruby, Ambler, Nulato.

Item: On most recent bid/purchase order, 6 channel, 150 watt PEP SSB transceiver unit with tuner cost \$1,700. Material cost of antenna would run about \$25, provided local antenna poles or supports are available. Remainder of cost would be transportation of equipment and technician to station site, plus labor of installation.

Item: We plan to continue upgrading through conversion to SSB as funding permits. Installations are planned to serve both the requirements of the village residents and the State school simultaneously; for reasons of economy, and to cut down routine maintenance after initial installation.

Item: Purchase and installation of this equipment has been spread over the fiscal year because: (1) our work force of technicians is not sufficient to permit an all-out crash program for this activity only; (2) we do not have storage space available to permit a mass purchase; (3) frequencies must be decided upon at time of order: these vary according to locality, and priority of station locations varies, precluding definite plans too far in advance.

Fiscal Year 71-72:

1. Bush Phones, Activity 15. We have requested funds for 20 additional SSB transceivers, at an estimated cost of \$2,000 each, total \$40,000. If the units can be obtained at \$1,700 each, as in the most recent purchase, we can cover 3 additional units.

2. Department of Education, Activity 17. We have requested funds for 30 SSB transceivers, same type and same cost as for bush phones, for a total of \$60,000.

3. As explained previously, we try to cover the requirements of both the school and the village with one installation: in effect, then, we would be combining the above two requests to re-equip 50 village/school installations.

4. If all 50 units could be used for replacement only, at the end of FY 71-72 we would have upgraded 87 of our present total of 105 bush/Education stations, or approximately 83%. However, we must expect new requests for stations at villages and/or schools not now radio equipped, so obviously the replacement percentage will be less than 83%--we are unable to say at this time how much.

CHP BOOK OF T W O
FAIRBANKS ALASKA

FEB 16, 1971 162000Z CM

DXF-6
C L BUCK
JUNEAU

DXF-2
FULTON
ANCHORAGE

FOR UR INFO, MORRIS ADVISES RCA ALASCOM WILL NOT ACCEPT TRAFFIC
FROM STATIONS WHICH HAVE NEW TELEPHONE SYSTEM INSTALLED AND/OR
OPERATIONAL. FOLLOWING STATIONS ARE BELIEVED TO HAVE PHONE SYSTEMS:
PT. HOPE, DEERING, KIVALINA, WHITE MT., KOYUK, WALES.

GRAUDON
162000Z RO

DEPT. OF PUBLIC WORKS
DIVISION OF AVIATION

Mr. Hohman said the committee would discuss the Division of Aviation budget. Charts had been prepared for the committee and Mr. Rowan discussed these. The estimated revenues are:

Aviation Fuel Tax	\$2,800,000
Anchorage Int'l Airport	9,157,150
Fairbanks Int'l "	1,860,250
State Airports	<u>924,900</u>
Total Revenue	\$14,742,300

Total Budget \$12,580,300

Mr. Hueners said that ADAP is Airport Development and Aid Program (formerly called FAAP). They anticipate quite an expanded program as there are a lot of new requirements as far as environmental impact. Mr. Hueners said this makes a tremendous difference in administrative workload.

Mr. Haugen asked about accounts receivable from carriers using state owned airports. He said he had heard rumors about some carriers owing a substantial amount of money. Mr. Warwick requested a breakdown of accounts receivable for anything over 60 days old.

Mr. Kerttula questioned the justification for type of rent some leasees of state airports are paying. Mr. Rowan said he believed all airports charge the same; however, this situation is being reviewed. Mr. Amos said this is based on facilities that are being used.

In answer to Mr. Warwick, Mr. Rowan stated that the international airport fund could only be used for the international airport. Mr. Hueners explained that \$924,000 is revenue fund which includes landing fees, parking fees, etc. He added that this

goes into the general fund and is separate from international airports. He said there is a minimum balance that has to be maintained to cover revenue bonding. There was a discussion on whether general obligation bonds were involved. Mr. Kerttula felt they should show the real and direct costs of the airports. He felt Anchorage International Airport should show what has previously been invested by the state -- the revenues are misleading as the real and true costs are not shown. He thought the Finance Committee should have a true picture. Mr. Warwick asked about debt service. He wanted to know if these figures were broken out in non-graph form. Mr. Hueners pointed out that they have engaged consultants who are going into a comprehensive massive study. He said this will include a financial plan and will reflect all costs. This information will probably be available in three or four months. This was authorized by the last session and Mr. Hueners said hopefully it will be complete by the end of June.

Mr. Tracy Kaldor entered the meeting.

Mr. Hohman referred to a February 23 letter from the Commissioner of Public Works which noted increased services to bush airfields. He also wanted to know how the Division of Aviation plans to increase services to the bush airfields. He also wanted a breakdown on equipment and where it is to be used.

Mr. Amos said this equipment has been ordered. This cost \$1,200,000 and is being stored at the larger communities.

Mr. Warwick asked about the bill for the east access road at Fairbanks International Airport (HOUSE BILL NO. 70). This

appropriates \$400,000 to the Department of Public Works. \$200,000 is for the east access road at the Fairbanks International Airport. Mr. Hueners said they are asking for \$200,000 in order to pave this road. In answer to Mr. Warwick, Mr. Kaldor explained this is part of the capital improvement program for next year and they are asking for "early money". Mr. Hueners said they hoped to make the money available as soon as possible.

Mr. Degnan entered the meeting.

Mr. Warwick requested a letter on the \$200,000 for the east access road and also a diagram of what the road is and where it is.

Mr. Warwick questioned the bidding procedure used by the Department. Mr. Kerttula felt a pre-bid conference should be arranged. He said they set up specs that fit one or two suppliers and this eliminates the other suppliers. This was discussed by the committee.

Mr. Kerttula spoke on the poor maintenance of equipment in bush areas. He said there were broken blocks on tractors. Mr. Amos said they hope to get around this problem this year as they have asked every village to nominate two operator prospects and they will train these people in operation and maintenance of the equipment.

Mr. Hueners presented graphs on capital improvement projects and these were discussed (see Department file).

Mr. Degnan asked how much it would cost to get a new site at Wales. Mr. Hueners did not know as they had no engineering basis for this.

Mr. Warwick said there is \$5,000,000 appropriated for bush airports and wanted to know the estimated cost for one bush airport. Mr. Hueners said this varies from site to site. Mr. Hohman asked if the Civil Engineer I which is a new position under General Administration would help to develop firm figures on construction cost. Mr. Hohman asked how firm the costs were that were listed for the airports. Mr. Hueners said this varies -- some of these costs have a fair amount of information and others are based on site reconnaissance. Mr. Hohman asked if he could say that 50 per cent of them were firm figures. Mr. Hueners said probably. He said that in cases where they are upgrading an airport they have plenty of good information. Mr. Hohman asked if Mr. Hueners felt these estimates were high. Mr. Hueners said frankly yes, they seem high; but before they are done they will seem low. He added that the more engineering they do the more problems they uncover. He stated that he felt these figures would be reasonably close. Mr. Hohman asked which airports they would begin work on in July, 1971. Mr. Hueners said they would probably begin by seeing how the airports came through the winter and where they need improvements the most. This was discussed and Mr. Hogan said there seemed to be a credibility gap and suggested that they might come in with phase scheduling (i.e., phase I would be site planning, phase II construction etc.). Mr. Hogan felt this would enable the legislature to get a better picture and the costs would be more accurate. This was discussed. Mr. Warwick referred to House Bill No.

218 (an act lapsing certain appropriations made for capital projects).

Mr. Kaldor said they are getting costs stabilized. He said they have not had preliminary engineering money appropriated in the past. Mr. Rowan felt the Civil Engineer I would be a start in this direction.

Mr. Haugen asked about obtaining land for these airports.

Mr. Hueners said that as far as the land freeze is concerned the order had gone out to permit airport development. He said private interests are easy -- public land is the real "hang up".

Mr. Hohman said there is \$5,000,000 in bush airport funding in the 1970 bond airport construction fund (this is in HB No. 228 which was introduced by the Finance Committee). He felt priority should be given to construction of new airports. Mr. Hueners asked if this priority was established in the bill. Mr. Hohman said this is in the legislative intent letter that accompanied the bill.

Mr. Hohman suggested that maps indicating location of the areas they are discussing would be an asset to the committee.

Recess: The meeting recessed at 10:55 a.m.

AFTER RECESS

1:30 p.m.

Present: All members except Mr. Wright. Also present were Messrs. Amos, Rowan, and Hueners of the Division of Aviation, Public Works, and Mr. Kaldor, Public Works, General Administration.

Division of
Aviation
(Cont.)

Mr. Hueners explained to the committee, continuing on from the morning meeting, that the division had to have money if they were to run a \$30,000,000 capital improvements program. He continued to review the programs as outlined in the Capital Improvement Program report. With reference to No. 24, Bush Airport Lighting Systems, he told the committee that Aniak, St. Mary's, Red Devil and Illiamna are the four bush airports that this is planned for.

Mr. Hohman again asked about the February 23 letter from Mr. Easley concerning increases in aviation, which says in part: "...The increase in contractual services and commodities is primarily by increased personnel, increased services to the bush airfields..." It further states that "...A large increase is the cost of shipping supplies and equipment to over 30 bush airfields..." He would like to have a list of what kind of equipment and to what airports they will be transported, and what the exact cost will be.

With reference to page 26, Fire/Rescue Stations at Secondary Airports (see bill file), Mr. Hueners said that due to the new federal grant, they are coming up with certain minimum standards and though some of this is still "up in the air,"

he felt that in all probability they are going to have to go into fire fighting equipment and this is a step in that direction.

Mr. Hohman asked if these projects would be started this year and Mr. Hueners assured him they would.

Mr. Hueners told the committee that these projects represent \$32,000,000 in capital improvement programs and this is what the program looks like for the next five years. He said this would utilize all of the federal aid matching funds and he added that there was a need for all of this work. He felt that in order to carry out this sized program that it needs a good administrative setup, and, of course, once all of this is built, it will require a great deal to maintain it.

Mr. Hueners said he thought the state apportionment under the new federal act was about \$10 or \$11 million and they are hopeful of picking up some discretionary federal funds to bring it up to \$15 million.

Mr. Haugen asked what they were going to do or what they would be able to do about the Seward airport since it seemed unsatisfactory. He had heard complaints from fishermen who leave their boats there and try to fly in, and Mr. Hueners agreed that to try to get large aircraft into the Seward airport is difficult, and he did not have an answer to the question.

Mr. Hohman referred to page 33, Anchorage Air Cargo Taxiway

and Road, and wondered why this particular project for an international airport would come under capital improvements instead of Department of Highways. Mr. Hueners said they have four new lanes that would bring the new highway to the airport but Highways would not put any more into the airport improvement at this time. It would be three to four years before they would be able to do it, so it was felt that it should be done now. He said it would still serve as an access since the other four-lane highway is a controlled road and will come in from the Minnesota Bypass.

There being no further questions on the Division of Aviation's Capital Improvement Plan for FY 1972, the committee proceeded to go through the budget workbook for Aviation.

General
Admin.

Mr. Hohman referred to Page 61 of the workbook and asked about the new positions. Mr. Hueners said they had asked for six but the Review Committee had cut it to three -- a Civil Engineer I, Planning Analyst, and Supply Clerk. He said the intent is to set up within the Department the ability to get going on these capital improvements and until the funds are appropriated they have to rely on funds in their administrative budget. (See page 63 of workbook for further justification for additional planning staff.)

Mr. Hohman wondered if they shared their information with

other agencies or vice versa in such areas as soil exploration. Mr. Hueners told him that they do check with other agencies that have been working in the area to see if they have done any work or have any information that would be of value for their purposes.

Airport
Operations

Mr. Hohman asked about the airport in Hoonah and how many employees it took to maintain it. Mr. Rowan said they have one man and this position was created under Executive Order No. 71-71. Mr. Haugen asked how much use they were getting out of this airport and Mr. Rowan replied that it was not as much as they had hoped.

Anchorage
International
Airport

Fairbanks
International
Airport

Mr. Hohman wondered why they still had so much overtime, even though they had been acquiring new employees. Mr. Kaldor explained that that was due to the new time and one-half rule. He said the fire/security guard people were paid straight time for a 48-hour workweek until this new personnel rule on time and one-half was adopted in December. Mr. Rowan explained that the Anchorage airport has to have 24-hour a day fire fighting guards on duty and that they are adding new equipment so it will mean additional people. He said that another problem is that the terminal complex has grown from 80,000 square feet to 200,000, and with the new runway, it is a very substantial area to cover. He said it takes four shifts of guards to cover the three 24-hour shifts, simply because you have to have one extra shift to cover for holidays, sick leave, etc.

Mr. Fink questioned Mr. Rowan on why they didn't do like most city governments and have 24 hours on and 24 hours off since that seemed to work well elsewhere. Mr. Rowan detailed a number of reasons why they didn't feel this type of rotation would be feasible. In part, he said it means that they would have to have cooking facilities, sleeping facilities, etc., but the number one reason is because they have exactly two minutes to get to a plane that is on fire. Any longer than that, and the plane is lost, along with the possibility of losing several hundred people. They must be on constant alert and ready to be on the field instantly, and anyone on a 24-hour shift must sleep and they could not possibly react that quickly.

A discussion on the problems of paying time and one-half ensued between Messrs. Haugen, Fink and Rowan. Mr. Fink felt they should at least attempt to get these people on a 40-hour work week which seemed to him more preferable and less money than the 48. Mr. Rowan said the time and a half requirement came in too late for him to properly analyze it for this budget with respect to hiring more people and having less overtime. He said they are looking at this very carefully and he agreed that it does appear that it would cost less to hire more people.

Mr. Fink pointed out the fact that with the high unemployment rate that this should also be a consideration. Mr. Rowan said if they do switch to the 40-hour work week, they would have to come in and ask for the new positions.

Mr. Rowan was questioned as to the duties of these men, and he told the committee that in addition to a minimum number standing guard for fire fighting purposes, they doubled as security police and also had to spend so many hours on drill work. He explained their firefighting is entirely different than that of the usual firemen since they must walk directly into the fire, and fight it from inside rather than outside.

Mr. Amos said that the requirements for firemen could now be improved since the Personnel Division in Department of Administration had done a reclassification of these positions which upgraded most of these people. He said they now can set up minimums on physical requirements, etc.

Mr. Hohman mentioned HOUSE BILL NO. 75 (Appropriating \$118,000 to the Department of Public Works for estimated unfunded operating costs for salary reclassifications and overtime...) and wanted to know if this will be necessary. Mr. Kaldor said no, that they would send a request to the committee to cancel this since the Governor had requested that this be deleted.

Mr. Hohman wondered if there was any possibility of going back to straight time, but the other members of the committee felt that that would be a real political "hot potato".

They returned to the subject of the reclassification and Mr. Kaldor said these positions had been brought up two

grades. Mr. Haugen wondered why they got time and a half in addition to that. Mr. Kaldor said this was to bring these positions in line with other comparable state jobs and was not used for compensating for overtime. It was noted that on page 177 of the workbook, that \$562,551 was requested for overtime.

A brief discussion was held on bonded fuel and how the state loses money on this since they cannot collect taxes on it. It was also mentioned that most of the larger airlines fuel to the maximum in Seattle since it is cheaper and, consequently, the airlines don't buy as much in Alaska. Mr. Haugen asked about the newly acquired Deadhorse Airport and Mr. Kaldor said that when the Slope opens up again this would help Fairbanks. He said it was state-operated and they charge landing fees. Mr. Rowan said they are about breaking even as far as maintenance and operation goes, and Mr. Huener added that as far as amortizing the total cost, that they are trying to do that through the landing fee rates, etc. Mr. Amos said they had a stack of applications of airlines that plan to use it once the Slope opens up so they feel it will pay for itself eventually. Mr. Hueners said they have about 7,000 acres that was transferred to the state for one dollar. In answer to Mr. Degnan, Mr. Hueners said he thought it was Tentatively Approved land. Mr. Hohman returned to the subject of overtime and asked

Mr. Kaldor how long it would take to provide the committee with an analysis on the overtime for firefighters versus hiring more positions. Mr. Kaldor said they would come up with this request just as fast as they could and would do it based on a 40-hour workweek if that is what the committee wanted. Mr. Hohman said that was what the committee wanted. Mr. Kaldor said it would only involve Anchorage and Fairbanks since they are the only two airports that operate on a 24-hour basis.

The committee also requested the total cost of operating each of these airports, including debt service, revenue bonds, and any GO bonds from prior years.

Mr. Hohman left the meeting and Mr. Warwick took the chair. Mr. Warwick questioned the \$50,000 that had been appropriated for a study, and Mr. Hueners explained that this was for a master planning study which anticipates and sets up physical requirements until 1990. Mr. Warwick asked how much had been done thus far, and Mr. Hueners said it was just started two months ago. Mr. Warwick wondered if any of the \$50,000 would lapse and Mr. Hueners said no since they had contracted for the full amount with the leading consultants in this field.

Mr. Warwick asked if any of this 1990 plan involves the Capital Improvement Program that was just reviewed by the committee. Mr. Hueners said no, that what had just been reviewed was their plan for fiscal year 1972; however,

there is the possibility that all of this might not be accomplished in 1972 and would continue on into the next fiscal year.

Mr. Hueners pointed out to the committee that there are certain constraints on any master plan and he said they would coordinate the master plan with what they are presently accomplishing under the Capital Improvements program. He said what they do next year will, of course, be consistent with the master plan.

Design
Admin.

Mr. Hueners said, in discussing the work of the design section, that once the funds are appropriated, this goes to the design section to prepare master plans, award construction contracts, land acquisition, and also they have to acquire land use plans.

They submit applications for federal funds, hold public hearings, etc. He said that the planning section should make the recommendations as to where the airport should go but because of the small staff, some of this work is done in the design section.

Mr. Warwick asked who sets the priorities, such as in the 26 villages that are supposed to get new airports. Mr. Hueners said it was worked up with their office and then the final decision is made. He said they receive advice from such groups as the Air Transport Association, and they also have a state airport plan. They get inquiries from various areas, and with these various inputs, they

determine special priorities. Mr. Warwick wondered if one airfield cost a great deal more than another, if this would have any effect on the decision on establishing priorities. Mr. Hueners said it could effect the decision; however, they must determine the need and the number of towns it might serve before writing it off just because it is expensive. He used Klawock as an example -- he said an airport there would open up the Prince of Wales Island communities of Klawock, Craig, Hydaburg, etc., and yet it is going to be expensive to build one in that area. He said, however, when they talk about "airports" they just mean usually a 2500 foot runway. He said another consideration in determination of priorities is how else a village is served. Does it have a road, or is it accessible in any other manner to the rest of the state. Whenever a village is served only by float or ski planes, then it has limited service. There are many days out of a year that these types of planes cannot land, and emergencies arise and there is no way to get in or out. These are the types of villages that they are trying to put high on the priority list. Mr. Warwick asked if the number of people in an area affected the priority and Mr. Hueners assured him it did. Mr. Warwick further questioned whether a request has to be made and Mr. Hueners said that most people are quite vocal on this and they are usually heard from and, he was sure there were few areas that needed an airport that had not been heard from.

Referring again to the \$5,000,000 for the 26 airports, Mr. Warwick questioned whether it was really possible to build that many airports for that amount of money. Mr. Hueners used Cheformak and Alaknauk as examples and the best estimates on these are \$200,000, so he felt it will be possible to put quite a dent in the number they can do. He added that maintaining these airports was another consideration. They have purchased a tractor for the construction of the above mentioned airports and hopefully someone in one of the villages who will be working on the construction phase will be able to continue on the maintenance part.

Mr. Fink questioned whether they would put landing strips in every village if they had the funds, and Mr. Rowan said he personally felt each village was entitled to have this service if it were financially feasible. Mr. Hueners pointed out that it does not take a very sophisticated airstrip to handle twin otters and that is the type of plane that usually flies in the bush.

Mr. Haugen asked about the Kake airport and Mr. Hueners said they had conducted a site survey and they are developing cost information on it right now. He said the site will cost about \$1.5 million. He said they will take state money for this and match it with federal, from the federal grant program.

Mr. Hueners felt the state was in good shape with the federal program; however, he said it was a hard program

to keep on top of. He said there was some talk of cutting it back. Congress had authorized the full amount but the Bureau of the Budget is releasing less than the amount appropriated. Mr. Haugen wondered if the state money would lapse on July 1, and Mr. Hueners said it would not. Mr. Fink asked how many airports were in the state. Mr. Hueners said about 600, but that it depended on how one defined an airport. Mr. Amos said the state maintained about 237, or at least contributed to that maintenance. He said that figure will likely go up to 450 soon. Mr. Hueners told the committee that the federal funds come from a trust fund established by taxes on airline tickets, fuel, etc., so as far as using federal money to develop airports, the users have already paid for it in this manner.

Const.
Engr.
Maintenance

Mr. Hueners said this section gets involved in the construction after the design section has awarded the contract for the project. They supervise the construction of the airport, test the materials, etc. Mr. Fink asked how they based their estimate of how the funds are spread around and Mr. Hueners said they based their estimates on how their time is spent, projecting how and where the time of employees is spent. Mr. Warwick asked why the budget had doubled in the past year, and Mr. Hueners said they were just getting more jobs under contract. Last year they had quite a bit of money for Capital Improvements but there is a time lag between design and construction. It takes awhile to get the job

designed and under contract and this year they have expanded the program to take care of it.

Mr. Warwick asked if any of the costs for international airports were prorated into the expense lines shown on the graphs that were displayed earlier in the meeting. Mr. Kaldor said no, that was operating cost only and capital improvement programs do not show up under operating costs. Mr. Kaldor told Mr. Warwick that the Annual Financial Report put out by the Department of Administration showed the operating cost versus the revenues. Mr. Warwick wanted to know if it took into consideration the engineering and construction and Mr. Kaldor told him that it showed exactly what had been appropriated for operating expenses which will include the engineering and construction.

Mr. Fink noted that when the Budget Review Committee cut back, they had taken a cut in the general fund receipts but not in the International Airport funds and wondered if this was right. Mr. Kaldor said the big decrease came in travel and that would be general fund. Also the two positions deleted had been funded from general fund money. Mr. Fink was concerned that since there was a surplus in the International Airport Fund that they would use this rather than general fund and he did not feel this was proper. Mr. Kaldor said they do a lot of work for the International Airports and they do have to carry their own load and though it was just an estimate he felt it was a fair one, and that he did not

feel the general fund should carry their activities. Mr. Warwick questioned this a bit farther and was not sure that more of the decrease shouldn't have been taken from the airport funds. Mr. Kaldor said he didn't know why this was done that way. Mr. Warwick questioned the outside travel and Mr. Kaldor said some of this was for new hires, paying their transportation to Alaska. Travel has increased in the construction budget from \$90,000 to \$300,000 and this is related to the growth of the number of airstrips and airports. Mr. Kaldor said construction is just that much behind the design section and it is now a matter of catching the full brunt of this growth and increased workload. Mr. Rowan said the outside travel is related to a number of factors, partly to keep in contact with other states on mutual problems. Another big travel expense, according to Mr. Hueners is related to airport aid program and FAA is always coming out with new rules, so they have to keep on top of these national meetings because if they wait until they are advised by mail of a change in regulations they are hopelessly behind. Industry meetings with Boeing, Dow, etc., are also necessary. He cited the example of using insulated runway in Kotzebue which is the first of its kind in the world, and now they are considering a new system that Dow is coming up with to be used in Nome.

There was a brief discussion concerning material submitted

in answer to the committee's letter requesting program maintenance level and Mr. Warwick did not feel that Division of Aviation had properly explained the \$131,900 as shown on page 350 of the workbook. Mr. Kaldor said they had checked with Budget and Management to make sure they were on the right track as they had difficulty understanding what the committee had wanted.

There being no further questions the committee adjourned at 4:00 p.m.

AFTER RECESS

7:00 p.m.

Present: All members except Mr. Wright. Also present were: Mr. Freer, Deputy Commissioner of Administration; Eric Wohlforth, Commissioner of Revenue, Myrton Charney, Director of Budget and Management, and Mike Wade, analyst for Department of Revenue.

Mr. Hohman told the committee about his afternoon meeting with the Governor concerning the decreases that the Governor wanted to make in the budget, which totalled approximately \$21,000,000. [The analysis of the revised budget as prepared by the Office of the Governor in conjunction with Division of Budget and Management is attached on pages 255 - 257 .]

Mr. Charney explained to the committee the method arriving at the new figures. In all cases the program increases were deleted. Then, certain new programs were reinstated and in other situations, new programs that the Governor had discussed in his state of the state message were added that had not originally been in the budget.

Mr. Charney said this new level had been reached by the Governor after he had been given four options, and the analysis as presented to the committee was the option he chose. It has been broken down by departments, showing the present budget figure, less the new program increases and other decreases such as the 9-month vacant position factor. The additions are shown and then the new revised figure for that particular department.

Mr. Charney said he had his analysts working now on developing these new figures into the program; however, what this revised budget essentially calls for is the status quo. All new programs are pulled out and the minus figures are deletions where they went into program level and actually cut out maintenance level items in existence and which will go out for next year. The "add" items, according to Mr. Charney, are specific program increases approved by the Governor for inclusion in this budget.

He noted that these increases by the Governor are few and far between. He said it is a "hold the line" budget with a dip in some of the maintenance level, and with very few additions. He pointed to the last figure on page 3 of the analysis, which is for \$8,150,000 and said this addition includes all of the Governor's programs which he mentioned in his state of the state message to the legislature.

Mr. Warwick questioned the pulling out of program increases and Mr. Charney said all of this was general fund money. They had not gone into federal receipts of any other type of funding other than the general fund at this time.

Mr. Charney said that the "ground rules" for this approach was to delete all new positions that were in program increases, and in answer to a question by Mr. Warwick, stated that the 9-month vacant position decrease was in the case of any position that had been left vacant for nine months or longer. If the commissioner chose to fill that position he would have to find funds from other vacant positions and thereby not fill that particular position. He cited an example in Health and Welfare

where the Deputy Commissioner's position had been filled on an acting basis; therefore, it was considered vacant and could not be filled unless the commissioner chose to fill it in the above described manner.

He said in the case of Fish and Game, they had just recently filled two positions so now they will have to leave others vacant. He said there could be some errors since the vacancy factor report had just been finished this past week and in attempting to correlate it to the decreases, they could have erred.

Mr. Charney wanted the committee to note they had also cut Fish and Game by \$45,000 more than they had intended to that would have to be added back into the total figure. They took out Mr. Charney emphasized, in reply to Mr. Warwick, that all new programs were out.

Mr. Charney wanted to outline each change in the Analysis of Revised Budget. Returning to the overcut on Fish and Game, Mr. Charney said they felt the maintenance level was overstated and so they knocked out \$45,200 too much which will have to be reinstated.

In Department of Education they did not delete enough for program increase and so the total Department of Education should be reduced another \$1,500,000. He said this had been confirmed with Dr. Hartman.

In Public Safety, he said they took the federal funds for the LEAA program, so this should be reduced by \$153,100.

He said those are the only errors so far as they know.

Mr. Freer felt that the budget at the level as presented to the committee would demand a high degree of management. He told the committee that the original department requests last fall totalled \$339,000,000 and the new administration has now brought this down to \$297,000,000. This is the level the administration feels must be adhered to since this must be related to the revenue picture for the next five to ten years. Mr. Freer suggested to the committee that Mr. Wohlforth, Commissioner of Revenue discuss the revenue picture with them in terms of the next five years.

Mr. Hohman then asked Mr. Wohlforth to tell the committee the results of the latest revenue projections.

Mr. Wohlforth said the committee had already seen the projections at 15% per year and now they have worked with different projections on the annual increase and have tried 8%, 9% and 10% increase.

He said they have made different assumptions since the first day of the oil flow and now they have taken the \$297,000,000 figure and projected that out for five years so they are working with a five-year model.

He said there wasn't time to put this on the computer model for a ten-year projection. Just to review with the committee some of the results for the first five years, they assume first year of oil flow as being 1975-1976.

Mr. Wohlforth said that if the original budget of \$318,000,000 were to increase at 15%, as originally planned, the state would ultimately be in the "red" by \$1,677,827,000 by 1980.

Mr. Freer told the committee that the revenue estimates in the Revenue Estimate book beginning in fiscal year 1974-75 were based on an average of 1.2 million barrels of oil a day for the first year, and the 1975-76 increase was to 1.7 million barrels a day, indicating future growth to the 2.2 million barrel a day level. Now they have had to move these figures forward one year to 1975-76. He said by delaying just one year there is a difference of \$125,000,000 in Revenue.

Mr. Wohlforth cited the following figures for the committee, which he said would probably hold if the oil were on the line in July of 1975:

<u>Year</u>	<u>Barrels per Day</u>	<u>Revenue</u>
1st	1,185,000	\$127,932,000
2nd	1,693,000	\$179,857,000
3rd	1,813,000	\$192,593,000
4th & beyond	2,200,000	\$233,724,000

<u>Royalty</u>	<u>Tax</u>
\$ 86,580,000	\$ 41,352,000
123,598,000	56,259,000
132,346,000	60,247,000
160,616,000	73,108,000

Mr. Haugen brought up the fact that Indian land claims could be settled and that could take another \$40 million to \$50 million out of state lands, and this could also upset the highway formula. He felt that was in addition to what Mr. Wohlforth had been telling

them and felt they should bring this type of thing into their figures. Mr. Charney said that Highways should not be a consideration since it is figured in the Capital Improvement program and not included in the operating budget. He said anything that is for capital construction should be under bond funds. Mr. Haugen commented that he didn't think the Governor cut deep enough. Mr. Charney said this is a "tighten the belt" attempt for this year, and by next year they will probably have to reduce percentage of increase and cut into program levels. Mr. Warwick wanted to know where the administration got their estimates on the number of barrels of oil and Mr. Freer said it came from the Oil and Gas Division people in Anchorage. Mr. Freer again emphasized that it would take a high degree of management because they have never held a budget to an 8 or 9 or even 10% increase, and Mr. Haugen agreed with him. Mr. Hogan asked what the administration's outlook would be on supplementals. He pointed out that in the last few years, the budget has been increased from 4 to 10 percent by supplementals so a "hold-the-line" at 8 percent could easily be knocked out if many supplementals are forthcoming. Mr. Charney said that they had looked at the most recent projections and he felt they should raise the level to provide for that. However, he said their attitude on welfare, for example, is not to put it in until they need it. Senator Stevens had informed the administration that Congress was going to do something more, hopefully, and this being the case, they did not want to build general fund money into the base of this program, if there was hope that

hope that federal funds would be forthcoming. He said they would rather put it in via a supplemental, or when they need it, as has been the policy in the past. He noted that fire suppression is another area that has always been funded on a supplemental basis since it cannot be calculated ahead of time.

Mr. Hogan said that in line with the thinking of some other states there are some supplemental requests in this year that would not be considered supplementals -- they are program expansion. He felt some departments took a very broad concept of legislative intent and went ahead and accomplished programs that were not intended. Mr. Freer asked for an example and he told of the one in Health and Welfare where the contractual services program passed the legislature but was not funded. He felt if the legislature intended to fund this they would have included it in the budget. Mr. Freer said that historically the legislature does provide for a program that it passes.

Mr. Ditman wanted to know if the revised budget provided for time-and-one-half- and Mr. Freer said yes.

Mr. Fink wanted to know if there had been any discussion on raising the instructional unit price and Mr. Charney said no, just the number of pupils. Mr. Fink also asked about the increase in pupil transportation and Mr. Charney said that was also related to more pupils. He said that now that state-operated schools are separate from Department of Education, that they had had to add \$610,000 for pupil transportation because they had left it out of the original budget.

Mr. Fink asked about the nine-month vacancy factor and the earlier report on vacancies. Mr. Charney said some of these positions were funded with other funds such as federal, capital improvement and some of the positions were not even budgeted, so they did a careful analysis of those positions which showed a vacancy of over nine months to make sure they were still being carried in the budgets. Also, they wanted to find out how many of these were funded by general fund, and that is the amount that is shown in the revised budget -- just those pertaining to general fund money.

Mr. Warwick wanted to know how this decrease will affect federal receipts and Mr. Freer said they had not yet attempted to figure this, but it would change that portion of the funding.

Mr. Charney said that Highways is now 100% federal; however, they are awaiting a decision from the Attorney General on money for ferries to find out who it will be appropriated to.

Mr. Hohman questioned some of the increases and pointed to the one in Military Affairs for dusting that is \$38,000, yet they had only requested \$25,000 in the original budget. Mr. Freer said it was felt this was a worthwhile program and when this figure was originally projected, last fall, it simply wasn't enough, so they increases it. Mr. Chareny said the people from Military Affairs came before the committee with the new figure and so they took a closer look and agreed it should be increased by \$13,000.

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CORRECTION

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

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they had pulled out all of the program increases (as they did in all budgets) but because the Palmer Pioneers' Home has been built and is ready to go, they had put it (\$448,100) back in as an "add". He said the Data Processing for \$150,000 and Program Budgeting of \$100,000 were also new program increases. Mr. Freer said that the Washington, D.C. office in the Office of the Governor by the prior administration was being deleted, and a Nome office was being substituted in lieu thereof.

The figure of \$126,200 for Troopers' overtime (Public Safety) was questioned, and Mr. Charney said this was a new item because they had not computed correctly in the original budget.

Mr. Charney said in all cases, that program increases had been deleted, even though in some instances they added it back in.

Mr. Hogan asked if they would send them a separate report identifying each of these and Mr. Charney said they would do that. Mr. Haugen asked about other revenue sources, and wondered if they had been changed. Mr. Wohlforth said they were shown and they had tried as best they could on those.

Mr. Charney provided the committee with a chart showing lapsed funds, and a cover letter explaining each column. (See member file on Committee Requests, Department of Administration.)

Mr. Charney said the Governor was requesting the withdrawal of HOUSE BILL No. 75 (appropriating \$118,000 to Public Works, Division of Aviation for salary reclassifications and overtime at Anchorage and Fairbanks International Airports) because, with the new projections, they do not need it.

Referring to the chart showing lapsed funds, Mr. Fink questioned the figure of \$4,704,034, on page 4, column 9 and Mr. Charney said that was money that could be allocated to other agencies. Mr. Charney, in answer to Mr. Warwick, said that the amount shown is the minimum that will lapse. He said that hopefully within the operating program they could increase more savings but they are not yet prepared to say so.

Mr. Wohlforth said everything they have done on this is on the side of pessimism, and anything beyond five years for projection is only a "trendline projection."

Mr. Fink asked what they were targeting for, what do they plan on having in four years. Mr. Freer said that they want to be able to level out the decline and still stay in business. Mr. Fink asked what "still staying in business" would be, and Mr. Freer said not having a deficit. A discussion on GO bonds ensued and Mr. Wohlforth told the committee that the reason they have better rates now is because Alaska has better credit. If the state starts sliding financially, then the rates on bonds will naturally go up because the state is no longer a good credit risk:

Mr. Wohlforth felt that program budgeting would give the administration a "handle" on the percentage increase, and the percentage increase can be shown as the program budgeting goes into effect.

In answer to Mr. Fink, Mr. Wohlforth said the oil and gas people would be here on March 3 and then they will have better figures. There being no further questions meeting adjourned at 9:00 p.m.

ANALYSIS OF REVISED BUDGET

OFFICE OF THE GOVERNOR

Present Budget		4,958,400
Less: Program Increases (Total)	(854,200)	
Coast Commission	(200,000)	
Data Processing	(22,700)	
Int'l. Develop. Comm.	(5,000)	
9 Month Vacant Positions	(18,600)	
Add: Nome Office	50,000	
Increase Contingency Fund	150,000	
Revised Budget		4,057,900

LEGISLATURE

Present Budget		2,566,200
Revised Budget		2,566,200

LAW

Present Budget		2,638,600
Less: Program Increases (Total)	(370,900)	
Add: Cook Inlet Case	50,000	
Revised Budget		2,317,700

REVENUE

Present Budget		3,988,000
Less: Program Increases (Total)	(724,300)	
9 Month Vacant Positions	(24,900)	
Add: Investment Fees	150,000	
Revised Budget		3,388,800

COMMERCE

Present Budget		2,919,700
Less: Program Increases (Total)	(340,900)	
Alaska Transp. Comm.	(5,000)	
9 Month Vacant Positions	(29,500)	
Revised Budget		2,544,300

MILITARY AFFAIRS

Present Budget		1,072,300
Less: Program Increases (Total)	(57,700)	
Asst. Adjutant General	(29,200)	
9 Month Vacant Positions	(16,300)	
Add: Dusting Program	13,000	
CAP Overhaul & Insurance	19,000	
Sitka Roof Repair	2,000	
Revised Budget		1,003,100

ADMINISTRATION

Present Budget		12,990,000
Less: Program Increases (Total)	(832,200)	
9 Month Vacant Positions	(10,000)	
Add: Palmer Pioneers Home	448,100	
Data Processing	150,000	
Program Budgeting	100,000	
Revised Budget		12,845,900

LABOR

Present Budget		1,568,100
Less: Program Increases (Total)	(25,000)	
Industrial Safety Travel	(10,000)	
Revised Budget		1,533,100

PUBLIC SAFETY

Present Budget		7,711,100
Less: Program Increases (Total)	(515,100)	
Budget Salaries Step D to C	(164,400)	
Fire Prevention Overtime	(7,000)	
Add: LEAA Program	250,400	
Trooper's Overtime	126,200	
Revised Budget		7,401,200

JUDICIAL

Present Budget		7,911,300
Revised Budget		7,911,300

ECONOMIC DEVELOPMENT

Present Budget		1,675,100
Less: Program Increases (Total)	(39,400)	
9 Month Vacant Positions	(21,100)	
Clerk Steno	(9,700)	
Reclass Secretary to Clerk Typist	(1,500)	
Photo Tech	(10,100)	
Add: Int'l. Travel Develop. Project	50,000	
Personnel Clerk	8,700	
Revised Budget		1,651,900

NATURAL RESOURCES

Present Budget		5,234,200
Less: Program Increases (Total)	(435,000)	
1/2 Agril Loan Fund & Grain Incent.	(190,000)	
Ecologist (to be funded by new Dept.)	(22,900)	
Clerk Typist - Haines	(8,500)	
9 Month Vacant Positions	(34,900)	
Revised Budget		4,542,900

EDUCATION & STATE OPERATED SCHOOLS

Present Budget		105,019,400
Less: Program Increases (Total)	(5,501,700)	
9 Month Vacant Positions	(92,000)	
Add: Scholarship Program	1,150,000	
School Foundation Increase	3,300,000	
Pupil Transportation Increase	1,010,000	
School Const. Debt Retirement	1,000,000	
Revised Budget		105,885,700

HIGHWAYS

Present Budget		21,263,200
Less: Program Increases (Total)	(1,125,600)	
General Funds to Federal Funds	(200,000)	
9 Month Vacant Positions	(35,100)	
Revised Budget		19,902,500

UNIVERSITY OF ALASKA

Present Budget		22,800,000
Less: Program Increases (Total)	(3,900,000)	
Revised Budget		18,900,000

SHARED TAXES		
Present Budget		4,283,500
Revised Budget		4,283,500
PUBLIC WORKS		
Present Budget		21,453,600
Less: Program Increases (Total)	(1,471,600)	
Deputy Director of Aviation	(28,300)	
Planning & Design to CIP Funds	(77,000)	
9 Month Vacant Positions	(109,000)	
Add: Lease for Division of Buildings	60,000	
Revised Budget		19,827,700
HEALTH & WELFARE		
Present Budget		43,598,900
Less: Program Increases (Total)	(2,208,800)	
General Funds to Federal Funds	(200,000)	
9 Month Vacant Positions	(434,600)	
Add: Comprehensive Planning Matching Funds	1,900	
Revised Budget		40,757,400
FISH & GAME		
Present Budget		7,751,600
Less: Program Increases (Total)	(371,300)	
Budget Salaries Step D to C	(93,000)	
9 Month Vacant Positions	(100,500)	
Revised Budget		7,186,800
CAPITAL IMPROVEMENTS		
Present Budget		9,413,600
Less: Total Program	(9,413,600)	
Add: Water Craft Fuel Projects	802,400	
Land Acquisition	600,000	
Revised Budget		1,402,400
DEBT SERVICE		
Present Budget		19,113,000
Add: Updated Estimate	100,000	
Revised Budget		19,213,000
GOV. EGAN'S ADDITIONS		
Present Budget		8,150,000
Revised Budget		<u>8,150,000</u>
TOTAL PRESENT BUDGET		318,079,800
TOTAL REVISED BUDGET		<u>297,273,300</u>
NET REDUCTION		20,806,500

HOUSE FINANCE COMMITTEE MEETING
March 2, 1971
9:15 a.m.

Present: Messrs. Hohman, Degnan and Ditman. Commissioner Easley, Captain Lockert, Director of Marine Transportation, and Mr. Bert Esmond, from the Department of Public Works were also present. Mr. John Olinghouse, Budget and Management, was also present.

DEPT. OF
PUBLIC
WORKS

Chairman Hohman called the meeting to order.

Commissioner Easley said they were in a state of fluctuation as a result of the cuts in the budget made by the Governor. He said they had worked on the Division of Aviation and cut this back \$700,000. They had not reviewed Marine Transportation Marine in light of this cut and Mr. Easley said this places them Trans. in a somewhat awkward position. Mr. Easley said the increase in Marine Transportation represents an 8.3 per cent increase and this is almost entirely made up of increases in union wages and increases in salaries. The remaining portion is centered around additional cost in commodities. Mr. Easley said he thought the budget as presented is pretty tight and there is no contingency in it; however, he felt they could manage by making additional cuts (as a result of the Governor's cut) above what is shown. Captain Lockert reiterated that this is a tight budget. He said the labor unions had locked this 6 per cent increase in and there is no way to change this.

Mr. Hohman wanted to know where the cuts will be.

Mr. Easley said they had asked for 8 new positions and this had been cut back to 6. Of the 6 there were 3 approved by Executive Order, Mr. Easley said. The 3 remaining positions are a Reservation Specialist in Juneau, a Reservation Specialist in Anchorage and a Typist. Mr. Easley said these are likely areas to be cut. He said the other areas to be cut would get to the point of cutting services.

Mr. Hohman asked if these three positions would probably go and Mr. Easley said yes. Mr. Hohman asked which positions had been approved by Executive Order. Mr. Easley said 1 Clerk Typist and 2 Accounting Clerk I's. Mr. Esmond said that one of the Accounting Clerk I's that had been approved by Executive Order had been disallowed in the budget review. They have asked for reinstatement for this position which is currently authorized.

Administration Mr. Esmond said the use of the term Administration for this division is a misnomer as it is not a true administration section.

100: Under personal services, Mr. Esmond said there are no increases on previous authorized positions with the exception of the new positions request. The rest of the increase is due to the legislative pay increase, Mr. Esmond said.

200: Mr. Esmond said there had been no major increases in the rest of this budget with the exception of travel. The 1970-71 Authorized was \$18,000 and the Governor's Allowance

was \$27,300 which is an increase of \$9,300. Mr. Esmond said the travel had been cut back to some degree last year and with 7 vessels the administrative people have to get around to supervise the operation. Mr. Esmond said he felt this is a modest increase. Mr. Hohman pointed out it is a 50 per cent increase. Mr. Easley said this is travel inside Alaska including Seattle but there is no travel outside of Alaska.

300: Mr. Esmond said that code 330, rents and utilities, has increased and this is primarily due to increased rent on the existing building.

Mr. Haugen entered the meeting.

Mr. Esmond said that the major increase in code 380, professional fees and services, is due to a reassignment of budgeting. This had been transferred from code 100 and there is a deletion to offset it, Mr. Esmond added. Under code 390, there is \$30,00 for the Aleutian Island Water trans. (Kimbrell-Lawrence) and Mr. Esmond said this had been transferred from the Office of the Governor into the ferry system by the legislature. Mr. Hohman asked if this is a satisfactory relationship. Mr. Esmond said that other than verified reports they have had very little contact with them. He said that Representative Moses would be the most familiar with this.

400: Mr. Esmond said that the increase in code 480, stationary and office supplies, is primarily due to the fact they are using their own staff for direct mailing to passenger inquiries.

500: The Department Request was \$10,200 and the Governor's Allowance was \$7,600 for equipment. Mr. Esmond said if they cut more new positions then more equipment could be cut. He said this would require analysis before he could say what could be cut.

900: The Department Request was \$7,300 which is the same as the Governor's Allowance for inter-agency charges.

Southeast Systems
Operations

Mr. Esmond said this covers four mainline vessels and the Chilkat. He said the wage increase for 100: existing crew members represents a 6 per cent straight increase over the existing year's contract.

200: Mr. Esmond said that travel is very indefinite and hard to predict in this area. This includes movement of crew members and Mr. Esmond said the Coast Guard requires certain licenses for crew members and they cannot sail without them.

300: Contractual services shows the Governor's Allowance of \$1,569,900 which is the same as the Department Request. This is a decrease of (\$46,700) and Mr. Esmond said this is due to a transfer to other categories. Under code 320, printing and advertising, there are minor adjustments to reflect current market prices. Deck and engine items were previously budgeted in commodities. Mr. Esmond said that 330, rents and utilities, is for the Prince Rupert terminal. Mr. Hohman asked for an explanation of this. Mr. Easley explained that the terminal building belongs to the B.C. Ferry System. The B.C. Ferry System tickets people for Alaska on a contractual fee and there are no state employees at Prince Rupert now.

The docking facilities were built by Marine Transportation, Mr. Easley said, and the B.C. Ferry System uses docking facilities and reduce the State's payments to them for ticketing and handling the State's passengers. He said this increase causes them to wonder if they can handle this themselves. This is about \$60,000 a year which Mr. Easley feels is borderline. He said if they do pull out they may be faced with the possibility of building a terminal building. Mr. Hohman said though this is listed as rents and utilities it is not a true rental. Mr. Easley said they are attempting to break this into two parts -- the lease for the State's portion of the building and the actual time spent on ticketing of passengers. Mr. Hohman asked then if they are considering construction of a new building at Prince Rupert and Mr. Easley said only if it is less expensive. In answer to Mr. Hohman, Mr. Easley said the building there cost about \$60,000 and he felt a new building would be about \$30,000 to \$50,000 if they can get the ground. Captain Lockert said they had ran the cost of this operation against the State's operation in Haines and it is very close.

Under 330, rents and utilities, \$28,000 went to \$45,000 for Standard Oil and this additional money is covered in the supplemental to this budget, Mr. Esmond said.

Under 340, repairs, services and alterations, the garbage disposals were previously budgeted under code 330;

and Mr. Esmond said they were trying to restructure the budget to more accurately reflect the charges. He said that the main engines in the vessels are now approaching eight years of age and every year there will be more and more mechanical repairs. Every three years complete removal of tail shafts is required by A.B.S. and this represents an increase of \$58,000 over the prior year, Mr. Esmond noted.

On code 370, insurance and bonding, Mr. Esmond said they had budgeted for the same insurance rates this year as last but they would not know until July if the rates would change. Mr. Haugen wanted to know if this covered replacement cost and Captain Lockert said they had tried to place a conservative figure on the vessels but this did reflect the increased value on the market. Mr. Esmond said they had had a reduction two years ago on their rates -- this was based on their loss ratio. There was a discussion on whether the rates would be raised and Mr. Esmond said he hoped they considered the state's past five year record in determining rates. There was a decrease in code 390, other contractual services, and Mr. Esmond said this is due to a change in budgeting procedure. Mr. Esmond said there is an increase for uniform allowances as a result of the new union contract. This is also under code 390.

400: The Governor's Allowance for commodities is \$1,249,700 which is the same as the Department Request. This is an increase

of \$249,700. Mr. Esmond said this is a substantial increase; however, he pointed out this had been cut \$79,000 last year and this is a reinstatement plus other increases. He said there are some "one time charges" in this code.

Mr. Esmond said there is \$15,000 under code 450, maintenance material, to replace bridge-counter weight cable terminals. There is also \$4,400 for fire and life saving apparatus. Under code 460, equipment parts and supplies, the amount per vessel for main engine repair parts has been raised from \$10,000 to \$12,500, Mr. Esmond said.

Under code 490, other commodities, Mr. Esmond said there is \$48,400 to replace all reclining chairs on the Malaspina. There is \$105,000 for the tail shaft for the Wickersham. He said the shafts require six to nine months for building and they do not have a spare shaft -- if they have a casualty now they have no choice but to tie up the vessel.

Mr. Fink entered the meeting.

Mr. Haugen questioned the need for the shaft if they were going to sell the Wickersham. Captain Lockert said this would be a three year operation and they need the extra shaft. Mr. Esmond spoke on the video tapes shown under code 490, other commodities. He felt this is an excellent program. This is tapes for television consoles for passengers education and entertainment during trips on the vessels. He explained the Forest Service is willing to put money into this. He said the amount requested -- \$19,300 -- could be trimmed but he would certainly like to see the program remain.

In answer to Mr. Hohman, Mr. Esmond said that item 20 and 21 in equipment, page 605 in the budget, is also related to this program.

Mr. Haugen asked what they plan to do with the Chilkat. This was discussed and Mr. Easley said they are considering leasing it to Ketchikan for \$1 a year token payment. Ketchikan would use this as an airport connection. Mr. Easley pointed out that this vessel is extremely expensive to operate.

Mr. Hohman said there are 18 new positions requested in the Southeast Systems and wanted to know which positions they plan to cut. Captain Lockert said some of the positions are locked in because of union agreements. He added that the Storekeeper will pay for his own way.

Steward

100: Mr. Esmond said the big increase in personal services is due to the 6 per cent increase. The Governor's Allowance is \$2,278,300 which is the same as the Department's Request. This shows an increase of \$509,200.

200: Travel is \$8,700 and Mr. Esmond said this is what they think they will need to move the crew members around.

Mr. Fink asked if they had always paid overtime and Mr. Esmond answered yes.

300: Vending machine repair is budgeted under code 300 and this was briefly discussed. The machines on the vessels are never working properly and Mr. Haugen suggested a counter girl could work on a 24 hour basis. Captain Lockert said this would be too expensive. Mr. Esmond said they recognize this problem and are trying to do something about it. The meeting recessed at 10:15 a.m.

FINANCE AND JUDICIARY COMMITTEES

March 2, 1971

2:00 p.m.

Present: Judicial Council, members of the Senate Judiciary Committee, Senate and House Finance Committees, and several members of the Senate and House of Representatives.

Judicial Council

Chief Justice George F. Boney called the meeting to order and introduced the members of the Judicial Council: Michael A. Stepovich, Ken Brady, Frank Doogan, A. Paul Gavora, and Lester Miller. The biennial report required by the Alaska constitution will be distributed tomorrow to the legislators.

Justice Boney said the Council has a number of proposals and recommendations to make to this legislature. The first proposal discussed was the recommendation that jurisdiction of State of Alaska District Courts be increased to \$10,000 from the current \$3,000 maximum limitation, and that the District Courts be given jurisdiction to handle lien foreclosure cases, heretofore heard by the Superior Court. The quality of judges on the District Court level has increased dramatically over the time when the courts were set up, according to Justice Boney; and, by increasing jurisdiction, the Superior Court judges will be provided a substantial measure of relief. Discussion followed on the legal complexities of increasing the jurisdiction of the District Courts.

Senator Miller questioned the workload factor at the District Court level and Justice Boney said Anchorage and Fairbanks are the most active. The type of cases handled, mainly municipal ordinance infractions, do not require great expertise. There is a request for one more District Court judge in Fairbanks and a minimum of two additional judges in

Anchorage, ultimately up to six will be requested for Anchorage. Senator Josephson commented he was concerned about the cost of the judicial branch and asked who receives the fines when collected. Justice Boney answered the state provides the judicial services and the cities should reimburse the state; however, some cities do not. Justice Boney recommended collecting the debt from the City of Anchorage, but concluded with the remark that whether the city or state pays the cost is a political question.

Senator Lewis asked if the Judicial Council has studied or made any recommendations on drug traffic in the state and Justice Boney answered no. In the proposed budget is a request to fund a study on criminal justice; drugs not being as much a problem as the crimes committed in order to buy drugs.

The number of judges in the Superior Court was questioned by Senator Ray and Justice Boney said there are 16. He added the Superior Court is requesting more judges, but the Judicial Council has not recommended any additions due to lack of space, both offices and courtrooms. Justice Boney stated the Judicial Council also has recommended a court house to be built in Juneau and asked Mr. Doogan to report on the request. Mr. Doogan explained in detail the shortage of space, describing the crowded conditions, poor ventilation and noise. The cost was questioned and 75,000 square feet is requested for the new building. Justice Boney said the minimum cost is \$50/square foot, but Mr. Doogan added this is the cost in Anchorage and the Juneau estimate is not known. Senator Ray stated \$3.5 million would fund a 65,000 square foot building. Renovating the present building was discussed and Justice Boney said there is just not enough room.

The next proposal mentioned by Justice Boney was that salaries for state judges be put on a par with federal judges. A salary commission should be appointed to keep salaries in line with inflation, after the initial upgrading to the federal level. Mr. Stepovich commented on this matter and noted the benefits and salaries for the state are better now than in the past and, as a result, they are attracting better candidates for judges with more maturity and stability. Discussion continued on the caseload handled by judges and Justice Boney said Alaska's caseload per judge is as heavy as any state in the Union. The nature of Alaskans tends to be litigious, to the extent that four cases are now pending before the U. S. Supreme Court.

Recess: The meeting recessed at 3:15 p.m.

After Recess

Judge Boney stated that the Judicial Council has made certain recommendations pertaining to the Anchorage Court facility. In 1969 \$4 1/2 million was authorized for building an addition to the Anchorage Court House through Alaska State Housing Authority Bonds. However, because of ceiling on interest rates, the bonds did not sell. In 1970 the legislature raised the ceiling on interest and the bonds were sold. At the moment \$3.79 million is available to build an addition to the Anchorage Court House. There's a possibility of getting another \$350,000, which would make the total a little under \$4.1 million, which is derived from interest on bond receipts. After the bonds were sold, an architect was not appointed until November. The Judicial Council has been working with the architect and the Commissioner of Public Works in an effort to work out a plan for building. Judge Boney appointed a committee of judges and involved agencies to come up with space recommendations. Their recommendations was that they needed approximately 128,000 square feet. The money available would only provide for 60,000 or 65,000 square feet. Mr. Miller said that the Judicial Council had considered the question at some length and recommended that they not proceed with the building at the present time as had been the plan last year. Mr. Miller went into the history of the existing facility saying that it had been built in 1962, designed as if they were never going to have to expand, but it is now obvious that expansion or an alternate facility is necessary. He said that there is a serious question at this time as to whether they want to continue to work around the existing facilities and add on in a haphazard manner or whether they should attempt to build a building that they could be proud of. They realize that bonding has been

obtained and that there would be a loss in not utilizing monies presently available. However, if they do utilize the monies they will be constructing a facility somewhat similar to the present building. Among other things, it will not look very good. The new facility would have to be connected to the existing one and would be a not very functional connection of miscellaneous buildings built on a catch-up basis. Mr. Miller is convinced that it would be worthwhile for the state to purchase a site somewhere away from the downtown area. He added up the cost and it would probably save money by building a more permanent facility. Unfortunately, he couldn't produce the dollars and cents figure. Mr. Miller felt that a new site would give them the opportunity to plan for many years hence. The way things are handled now is to build buildings that are on marginal sites and they become obsolete rather fast. The existing court facility is an excellent example. A minor factor is that of agencies and personnel in an uncohesive building. Summing up, he said that perhaps it is time for the state to start considering spending money for capital improvements in the right way. Judge Boney said that due to the method of acquiring money to build, it would have to be a decision of the legislature. He said that they had contemplated recommending to Governor Egan an appropriation of \$2.6 million plus additional monies over and above the \$3.78 million to acquire the 4 lots on the East of the present Court House site and to build a complex on them. The District Court should ultimately take over the present building. The others would consist of the Superior Court, the Supreme Court and the State Court Library. Mr. Rose felt that even if the 4 additional lots could be acquired, there would be a tremendous parking problem. Mr. Moran wondered if there had been any consultation with the Planning Authority

regarding the prospective location. Judge Boney said that it had to be realized that this was on an advisory basis. There has been consultation by the architect with Borough Planning on some aspects. He went on to say that since they have the money the tendency is to say O.K. build with this money and get the best possible and in the future get additional monies to take care of the situation. Very little thought is given to different locations, and a lot of the little thought is negative thought. Mr. Miller said that the acquisition of the 4 remaining non-state owned lots was estimated from \$500,000 to \$900,000. He felt that a full block somewhere else could be purchased for \$600,000 which gives an idea of relative costs. Mr. Moran asked if consideration had been given to the kind of static that would be gotten from members of the Bar with investments when the structure is moved. Mr. Miller thought that most of the investments of the members of the Bar were in office space and could be leased to somebody else. Judge Boney indicated favoring the move to a new location. However, there is the practical problem of retiring the bonds, law suits, and breach of contract. Mr. Rose asked if the bonds couldn't be used for the new location, and Judge Boney answered that the bonds were for a particular court house at a particular location. The Commissioner of Revenue had advised that the bonds may have to be retired. They are frozen in by this type of financing. If the approval of the bond holders can't be received, the bonds will have to be retired. He has been told that this is practically impossible. A new bond issue might be necessary. They will be easier to sell now since the bond rate is lower. Judge Boney felt that it would be beneficial to have a joint public hearing on this matter in Anchorage and inspect the problem. Mr. Reeves said that he had a letter from Sen. Ziegler in which he wrote that

he was not opposed to meeting in Anchorage, but that he wanted the Judicial Council to work up an agenda and have everyone concerned, such as the Attorney General, so that the legislators wouldn't come up for nothing.

The Alaska Judicial Council with the support of the Criminal Justice Council held a Public Justice Conference. They have not been able to come up with any final recommendations. Their recommendations will be in their bi-annual report. Judge Boney said that tapes were available. They had been taken by the Public Safety Authority and could be gotten through Mr. John Abbot, Deputy Administrator. Judge Boney went on to talk about the Superior Court. They are going to put out a new rule on requirements to hold court in some of the smaller communities in the state.

Mr. Duncan spoke on aspects of the budget. He said that the Anchorage Judicial Council had met with the Administrative Director of the Court System and was advised to list all funds available for jury costs. They recommended asking the legislator to provide sufficient funds to the Court System for jury costs and additional court expenses for the rest of the fiscal year. They are in the red on jury money over \$50,000. This was occasioned because the legislature last year passed a joint resolution recommending jury fees be increased from \$10 to \$21 per day. The rule was changed in response to that mandate. A letter of intent shows that the legislature realized that the Court System hadn't had money present in their appropriation for jury services. The money for juries is now gone. The Supreme Court was made aware of this, and after careful interpretation said that juries must go on. To stop jury trials would free a lot of people who may have committed crimes. An aspect of the increase in impact is that a lot of people are taking their

constitutional right to a jury trial. By law, if one has to go to jail for an offense, he is entitled to a jury trial. Sen. Rettig asked if jurors that are called and not accepted are paid, and was told that sometimes as many as 270 jurors are being paid in order to have 31. Judge Boney said that if the legislature wants the Supreme Court to stop jury trials, the Supreme Court would like to be told to stop them.

Sen. Koslosky asked about the \$50,000 figure which had been mentioned earlier. He wondered whether it was last year's figure. Judge Boney said that they have used up all of their jury money for this fiscal year and are in the red to the tune of \$50,000 as of a week ago. The Court System will keep going into debt and will eventually end up with no money in the budget and then the Commissioner of Administration will have to stop honoring warrants. He said that the administrative office and the comptroller will be supplying data when the time comes to justify the supplemental appropriation. Mr. Moran said that the supplemental had been assigned to the Judiciary Committee last Friday and they had met Tuesday and passed it out with a 4-2 Do Pass Recommendation. It is now in the House Finance; he had heard that it is receiving their attention. Judge Boney said that his staff might not be able to come up with the exact dollars as they will be projecting on some schedule. In the event that they over-estimate, he wants the money to lapse into the general fund, not to be used for some other purpose. He repeated that he had been advised by his comptroller to stop juries. This has been referred to the Supreme Court.

Sen. Groh asked the effect of a rule saying that only jurors who actually serve be paid. He was told it could be done.

Sen. Butrovich asked what the federal government pays jurors and

Judge Boney wasn't sure. Sen. Butrovich felt that the federal and state should be comparable. Judge Boney agreed, but mentioned that one rarely is called for a federal jury. He and Sen. Butrovich agreed that it was the civic duty of every citizen to serve as jurors when asked.

Sen. Groh felt that only jurors who actually started should be paid. He didn't feel that it was a good idea to pay 200 jurors when only a limited number actually served. Such a rule might bring the cost within reason.

Mr. Moran pointed out that most state employees are compensated for by the state, and often private employers will make some provision for their employees who are called to jury duty. Thus, in some instances there is double payment.

Judge Boney felt that serious consideration should be given to the idea of eliminating the 12 man jury and replacing it with a 6 man jury. He thought that just as good a representation from the general public could be gotten out of a 6 man jury as a 12 man jury. He went on to say that they could conceivably deprive the jury of all compensation, but the rule-making power has not recommended it. He said that the power is actually quasi-legislative. When the Court System gets a mandate from the legislature saying they want jurors paid \$21 a day by a joint resolution, the Court System responds. If the legislature wants nothing to be paid, he suggested they pass a resolution.

Sen. Koslosky asked if jurors were also paid mileage and was told that mileage was only paid if they lived more than 15 miles away. At the present time they only call in people within a 15 mile radius. Judge Boney added that sometimes when juries have to be kept in confinement for a number of days, the Court System has to pay for

hotel space and food.

Sen. Rettig suggested paying jurors who actually serve only to the extent of loss of pay. He felt that almost everyone except housewives are paid anyway. He couldn't see why the public should have to pay twice. A system could be worked out to reimburse for loss of pay. Mr. Reeves stated that some jurisdictions pay a juror only if he brings an affidavit from his employer saying that he is not being paid. He added that of course commissioned salesmen and housewives couldn't bring such an affidavit.

Sen. Merdes felt that the basic problem was in the right to a jury trial. He said that perhaps a constitutional amendment could be made in order to get to the root of the problem. Maybe the right could be restricted.

Judge Boney said that he thought two things kept a judge from being a tyrant: good defense and the jury.

What the state pays for the judicial system is about 40% of the budget. Judge Boney felt that when one considers the other indirect services they provide to the state (public defender, court libraries, transcripts), it's probably the cheapest dollars ever spent.

There are also fundamental 6th amendment problems. He suggested deleting jail requirements for non-criminal offenses, asking the question, who should go to jail for speeding or parking tickets. Judge Boney said that they used to have 99% conviction before they had jury trials. Now it is about 50-50.

Mr. Rose suggested the recommendation come from the Council to have a constitutional amendment reducing the number of jurors to 6.

Mr. Groh said that he had been looking at Senate Bill 103, "An Act relating to the Governor's Commission on the Administration

of Justice; and providing for an effective date." He brought their attention to Page 2, Line 14, the Powers of the Commission which states: "The Commission will establish a center for the administration of justice in the State of Alaska." He then referred them to Article 4, Section 9 of the Constitution. It seemed to him that the powers of the commission conflict with the constitutional mandate given to the Judicial Council.

Mr. Doogan agreed.

Judge Boney said that this could be construed as an indirect effort to get the Judiciary and the Judicial Council by taking away money that they need to perform their functions and thus get them completely out of law reform. Mr. Stepovich felt strongly that this bill was an attempt to give the executive branch powers in the judicial branch.

Sen. Groh asked for the views of the Council on the bill and Judge Boney said that he would consult the members.

ADJOURNMENT: Meeting adjourned at 5:05 p.m.

HOUSE FINANCE COMMITTEE

March 3, 1971

9:00 a.m.

Present: All members with the exception of Mr. Wright. George W. Easley, Commissioner; Carl P. Johnson, Director, Division of Buildings, Department of Public Works.

Division of Buildings Mr. Hohman called the meeting to order and Commissioner Easley introduced Carl Johnson, who reviewed the budget request of the Division of Buildings as follows:

The program now is extremely slim and very serious cutting could not be done since they have \$65 million in building projects. Some are ASHA projects, some General Fund, and some projects are under bonding; and most of the engineering and construction costs are charged directly to the projects. This year the Division of Buildings is requesting a Deputy Director for expediency and protection to the state on projects. He will check on all projects, of which they are expecting 60 to be bid before the middle of July. The 60 projects total \$54 million of the \$65 million already mentioned.

Of the \$55,100 increase in the Director's Office, \$17,600 reflects salary increases and a change in per diem. \$37,500 provides for a Deputy Director and a Clerk Typist; however, it was Mr. Johnson's understanding that the Governor had deleted the Clerk Typist position. The Custodial increase is due to the addition of buildings, requiring a larger staff. A maintenance level of \$34,300 reflects salaries and changes in scale. The total proposed change of \$121,100 in Custodial includes \$43,000 in services for the Department of Highways building in Douglas, formerly budgeted under the Department of Highways.

The new Public Safety building in the subport requires maintenance and custodial work.

The Maintenance section should stress that last year the Division of Buildings added 16 BIA schools to their responsibilities, and this year it is anticipated 21 more BIA schools will be added. This reflects an increase of 10 people; even though the schools are small they do require maintenance.

Planning & Design requested the addition of one architect and one architectural assistant to review the plans submitted for the projects to be put out for bid.

The proposed increase of \$32,900 in the Construction section merely maintains the current level, and is a result of salary increases.

Mr. Hohman questioned the take-over of 21 BIA schools and maintenance required. Mr. Johnson said they are mechanical headaches due to their construction and the laxity of the BIA, and the Division of Buildings does not know which schools will be among the 21 turned over to the state. Mr. Easley added the department will inspect the schools and ask the BIA to put them in shape before they are accepted.

Mr. Hohman noted the summary sheet indicates the addition of 22 positions, and Mr. Johnson said 10 are in Maintenance, 2 in Planning & Design, 2 in the Director's Office, and the balance in Custodial. In answer to Mr. Warwick's question, Mr. Easley said they are now in the process of cutting the budget, and all frills will be eliminated. The positions in the Custodial section are under the maintenance level so will remain in, and Mr. Easley said the deletion of some professional people may result in trouble in the future. An error in design or construction will ultimately cost the state more money.

Discussion continued on the reduction in the budget requested by the Governor and Mr. Hohman noted the Department of Public Works must cut their budget by approximately \$1.6 million. Mr. Easley reported the review is now going on, with Aviation cut \$750,000, Marine Transportation reduced \$600,000, and a balance of \$250,000 to be reduced from Buildings, Communications and Waters & Harbors. Mr. Hohman requested a list of the 60 projects being put out for bid by the Division of Buildings and Mr. Johnson provided him with the list. Mr. Easley repeated that it may be a greater expense to cut people from the budget in the Division of Buildings, because the services must be provided since they can't assign a project without a thorough review. The services will have to be contracted for if not provided by employees, and the state will pay either way. Mr. Warwick asked if the department considered deleting any projects and Mr. Easley answered the responsibility for deleting would be with the departments requesting the projects or with the legislature. Mr. Ditman asked if the department is aware of the mechanical problems at the Glenallen school and Mr. Johnson said the project for renovation and correction of the piling problem is going out for contract now.

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

AFTER RECESS
2:15 p.m.

Present: All members with the exception of Mr. Wright. George W. Easley, Commissioner; Don Statter, Director, Division of Waters & Harbors; Department of Public Works.

Div. of
Waters &
Harbors

Mr. Hohman called the meeting to order and Mr. Statter distributed copies of the expenses for Waters & Harbors (see department file). Mr. Easley commented on the status of the budget cuts now underway in the Department of Public Works: Aviation reduced \$750,000, Marine Transportation cut \$600,000, Division of Buildings \$50,000, Communications \$200,000. New summary sheets for each of the divisions are now being prepared which will be forwarded to the finance committee after review by the Governor. The \$600,000 cut-back in Marine Transportation results in operational limitations, and the department may request a supplemental if serious break-downs occur. The Chilkat schedule will probably be reduced to a six or eight-month operation. Returning to the subject of Waters & Harbors, Mr. Easley said the review was just completed and has not been presented to the Advisory Committee or the Governor. Their instructions were to reduce the budget to watercraft fuel tax revenues, or a total of \$802,400. The original budget request was \$2,893,000, and a recommended program based on a \$1,000,000 reduction for a total of \$1,893,000 was also presented. The King Cove Harbor and the Kake Harbor have been worked on by the Corps of Engineers and they are not ready to begin these two programs, so cutting them is not a detriment. Mr. Easley believes the other projects listed are necessary and the budget should be maintained at the \$1,893,000 level instead of cutting to \$802,400.