

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2520

Mr. Haugen questioned the deletion of the Kake project and Mr. Statter said the President has placed this in budgetary reserve so funds are not available at this time to the Corps of Engineers. The funds will be available in a matter of time, but cutting off the project this year will not change the delay. \$150,000 has been left in the Kake project, since the dock is ready to fall down and the unsafe condition resulted in repairs to the dock placed high on the priority list. Mr. Warwick asked what projects were included in the request for \$205,000 for Juneau and Mr. Statter said it would be for expansion of the float facilities. Mr. Warwick asked for a breakdown of the repairs and maintenance requests and Mr. Statter answered as follows:

Nome Dredging: Obligated by law to participate with the city on dredging. A 1925 statute obligates the state to pay 25% of the dredging costs, in conjunction with the Corps of Engineers.

Metlakatla Harbor: Facility where quite a bit of money has already been spent in maintenance. The sea plane float must be repaired, since it has already gone down the bay once.

Cordova Harbor: Combination expansion and replacement; \$100,000 for improvements and additional berthing facilities and \$100,000 for repair to existing facilities.

Kenai Harbor: A high priority project since they have no facilities at present, and interim facilities are now planned. The Corps of Engineers has the project under study and a full-size boat harbor is expected to be built in the future, including a launching ramp and small berthing facilities.

Tenakee Harbor: The floating log breakwater is in a complete state of disrepair and it may be lost. It must either be removed or replaced.

Juneau Harbor: Expansion of mooring facilities. Juneau Harbor does not look full at the present time, but all moorage space is leased and about 40 names are on the waiting list. The stalls are about 30 feet and the rent charged is \$3 per foot per year, based on vessel center-line measurement. The local government sets moorage fees in all areas; the state leasing to the local government for \$1.00 per year. The state is responsible for major maintenance and expansion and the lessee is responsible for minor maintenance and repair. Mr. Easley added there is a question of liability if proper care of the facilities is not maintained, and possibly both the local government and the state could be sued in case of accident.

In answer to a question by Mr. Fink, Mr. Statter said the leasing arrangement seems to work quite well. The state could sell the facilities, but feels it is advantageous to maintain control. Mr. Easley noted this could be on shared revenue with the city, but there is not enough revenue, to which Mr. Hohman commented the rate could be raised. Mr. Haugen said the city does have the obligation to provide police service and minor maintenance and should receive their share of the revenue. Answering further questions, Mr. Statter said it is a historical program from the 1946 establishment of water and highways programs, a carry-over from territorial days. He feels it is a workable program this way, since the state is not burdened with every day operation.

Mr. Warwick asked the amount of revenue estimated from fuel tax receipts and Mr. Statter said \$802,400 is projected by the Division of Budget & Management, but the Department of Revenue estimated \$850,000, which Mr. Statter believes is more accurate. It is difficult to

project since there are loopholes in the law. Some fuel tax is charged on boats in lakes, other boats in lakes pay nothing. People buy fuel and claim it is used for cooking and heating, and thereby pay no tax. Mr. Statter said essentially it is a problem of the Department of Revenue and the Legislative Audit Department has asked Revenue to look into this problem. Mr. Easley noted there is a bill introduced to remove the exemption for cooking and heating fuel and Mr. Statter said various marine clubs throughout the state support this bill. It would actually aid the legitimate operator.

The Boat Launching Ramp program was questioned by Mr. Hohman and Mr. Statter said prefabricated concrete slabs will be laid in various areas to provide decent launching facilities. Mr. Hohman requested a list of the areas to be included in this program.

Mr. Hohman also asked for watercraft fuel tax revenues broken down by districts, which information will be provided by the Department of Revenue.

Mr. Statter said the staff has been increased by 2 people in the last 10 years and 2 positions are requested this year. Mr. Hohman questioned the effect of a cut in project expenditures on the staff, and Mr. Statter said only one position would be requested if there was a drastic cut in the budget. Mr. Statter provided Mr. Hohman with a copy of the Waters & Harbors operating budget.

Mr. Fink asked if all money appropriated last year was used and Mr. Statter said yes. \$3,265,000 was authorized, and \$3,032,000 was for contractual services for actual construction costs. Mr. Easley added a supplemental may be requested if Valdez requires aid for traffic control if the pipeline is built.

Mr. Warwick asked that Mr. Statter return to the justification for requests by area:

Kasaan Harbor: New facility in conjunction the Division of Aviation sea plane float.

Anchorage: Expansion of last year's projects. Installation of an additional small float and possibly a pier as an interim project in Sheep Creek.

Hoonah: Primarily a rehabilitation project. Provide a new gridiron, which is beyond the scope of minor maintenance.

Pt. Alexander: Last work done here was in 1961 - replacement of part of the old facilities. Gridiron is to be built, since Pt. Alexander is growing and believe it will be a worthwhile project.

Ketchikan: Combination of maintenance and repair and new facilities.

Wrangell: Very critical since the boats stack up 3 or 4 deep, with no foreseeable relief. City hopes to have a new harbor within 4 or 5 years, since they now rely either on the cannery or Alaska Steam dock.

Hollis-Craig: Combination project of launching ramps and installation of new float. Fairly high priority project. Tied in with sea plane float, since it is difficult to get in during winter months.

Boat Launching Ramp: A list will be provided of projects.

Auke Bay and Knudson Cove: Extension of recreational facilities, funded 50% with Bureau of Recreation funds. Department of Natural Resources has assured Water & Harbors that federal portion of these funds will be available next year.

Kodiak: Eliminated mainly because the plan with the city did not work out. The ice conditions were too severe and they were unable to secure land. An alternate site may be proposed.

Emergency Repairs: Self-explanatory. Contingency projects which cannot be predicted.

Mr. Fink returned to the question of deleting the King Cove project and Mr. Statter reported the Corps of Engineers is designing the project now, but will wait until funds are released from budgetary reserve. Both Kake and King Cove will be the last projects to be built in the State of Alaska by the Corps of Engineers, and all future harbors will require state or local government funds for dredging. There is a history of losing Federal funds, due to the local government not paying their share. Mr. Statter believes there are between 6 to 8 harbor projects under investigation in various stages, and half will require a substantial amount of dredging. If the state does not fund the dredging costs and the local interests are unable to come up with their share, the Federal funds will be lost.

Mr. Easley stated in Public Works no one area causes more problems than small boat harbors. The limitation of matching expenditures to the fuel tax revenue has put them years behind and there have been a large number of complaints about why the state doesn't do something about small boat harbors.

Mr. Warwick questioned the \$120,000 in administration and general engineering and asked why this remained constant, even with the drastic cut in funds for projects. Mr. Statter said the number and nature of the projects is a better guide than the staffing. No other agency shows such a small increase in staff while such a large increase in funds and projects. Mr. Warwick said this was his point, and by cutting funds the staff should be cut also. Mr. Statter said only 2 positions were requested, and 1 is related to ferry terminals and

must be filled. The other position requested could be cut if the budget is reduced. Mr. Warwick continued questioning staff and Mr. Statter said he could not cut present positions. Mr. Hohman noted the operating budget showed 11 positions, and 13 requested. Mr. Statter said he was mistaken and had forgotten the Clerk Typist positions added last year, so his staff is 11 not 10. Mr. Statter added the \$120,000 is pure administrative costs and if the staff was cut to 3, the expense would be the same. Engineering and associated costs are charged to the projects, and \$120,000 is used to pay rent, salaries for Director, Secretary and Planner. Mr. Haugen questioned the Personal Services request and Mr. Statter said it is listed in the budget but recovered from the projects. He added no other capital improvement department prepares a detailed budget such as the one he prepared.

Mr. Hohman asked for a list of federal projects, indicating funds provided and local participation required. Mr. Statter will provide the list as it is included in their 6 year program. He repeated the federal funds will be lost unless the local interest provide their share of funds.

Recess: Meeting recessed at 3:25 p.m.

AFTER RECESS

4:15 p.m.

Present: Messrs Wright, Haugen and Degnan were absent.

Commissioner Easley and Mr. Buck, Director of Communications, from the Department of Public Works were also present.

Chairman Hohman called the meeting to order and explained the committee would discuss the Division of Communications budget.

DEPT. OF PUBLIC WORKS
Div. of Communications

Mr. Easley said that as a result of the Governor's cut the Division of Communications' budget would be \$200,000 less than the budget before the committee. Mr. Buck said that code 500, equipment, was changed from \$516,700 to \$316,700.

Mr. Fink asked if the only change was in equipment and Mr. Easley answered yes. He added this is largely installation of radio equipment and what they have decided is that replacement radios will be deferred.

Mr. Degnan entered the meeting.

Mr. Hohman requested that a summary sheet of the deleted equipment be sent to the committee.

Mr. Fink said that in the Governor's message he had cut out program increase but in this case the cut had been made only in equipment. Mr. Easley said they had to take the total Public Work's budget and that \$1,600,000 had to be removed. He felt it was their decision to come up with cuts in this amount. Mr. Easley said that Public Works has such a

fluctuation of programs -- he gave Marine Transportation as an example. He said this program increase was based on union agreements and could not be changed. Mr. Easley said they have done a lot of shifting of funds but not equally in each division.

Mr. Hohman asked about the Bush Phones listed on page 505 of the budget. Mr. Buck said this is reduced from 20 to 15 for a total cost of \$30,000.

Mr. Fink asked if this is an entirely different area from what RCA is doing. Mr. Easley said they are communicating with the Attorney General to see who is going to do what. He said he is recommending a coordinator for the State to get with RCA and stick with them until they provide the system they are suppose to. He said this is . very difficult for Public Works to have an operational system and supervise it and also deal directly with RCA. Mr. Easley said if the Governor agrees with this then they will have a new position on the Governor's staff and if he decides it should remain the same then Public Works will double their efforts as far as RCA is concerned. Mr. Easley felt that RCA has done very little of what they should be doing. Mr. Fink said that the paper plans for RCA provides they do some of the things the State has been doing. Mr. Easley said the entire state telephone service should be the responsibility of the long line carrier. Mr. Fink asked if the State has any communication lines they are maintaining on a commercial basis that could be

on a profitable basis. Mr. Buck said no. Mr. Easley said he did not think the service they are providing is top notch -- they are not funded to be in the long line business.

Mr. Haugen entered the meeting.

Mr. Fink asked if they are working with RCA on a day to day basis and Mr. Easley said no. He said that Public Works would prefer not to be in that position and he felt this could be more properly handled through the Governor's office.

Mr. Fink asked if all villages are tied in to some kind of communication system. Mr. Buck said no, but most of them are. Mr. Hohman said this is an inadequate system.

Mr. Easley said he felt it is the decision of the legislature as to whether they should get into the long line business.

He said they could do this but it would put them in an awkward position as far as RCA is concerned. Mr. Hohman said last year they had appropriated money for the Bristol Bay area for a transmitter to carry microwave from King Salmon. Mr. Easley said this is going on right now and they have expended \$50,000 of the \$200,000 appropriation -- the first portion will be operational on June 1.

Mr. Buck said the next phase of the study will be a facility to extend this into other areas. Mr. Hohman asked what the equipment cost is for the transmitter. Mr. Buck said this would be difficult to say -- it would vary from \$10,000

to \$150,000. Mr. Hohman asked how much this would cost for Bethel. Mr. Buck said that a very minimum, very basic commercial station would be \$125,000 to \$150,000. Mr. Hohman said he was speaking of an educational station. Mr. Buck said there are a number of problems in this area. Mr. Hohman asked where the programming comes from for King Salmon. Mr. Buck said this is an Arm Forces program -- they have agreed to this for this one area. Mr. Hohman said that RCA had suggested the State might participate in financing for television. Mr. Easley said it was his opinion that if Alaska is to get bush telephone and television within a reasonable period of time this is about the only way it will be done. Mr. Hohman asked to what extent he thought the State should participate. Mr. Easley said he did not know, this would take some hard negotiations with RCA. He said that RCA would like to have the State participate to a large extent. Mr. Hohman asked if RCA has indicated what they would require and Mr. Easley answered no. Mr. Hohman asked if the Division of Communications has attempted to get a commitment in this regard. Mr. Easley said no, and that right now this is being handled by the Attorney General. He said this matter is now pending before the Governor and Public Works is confined to maintenance and installation of radios that serve state agencies. Mr. Fink asked if some of this equipment would be lower if RCA expands. Mr. Buck said it should be.

Mr. Fink asked if they still intend to increase by three positions. Mr. Easley said yes.

Mr. Fink asked what the Department's position is in regard to overtime. Mr. Easley seriously objected to routine overtime (so many hours on a regular basis). He felt overtime should be only for extenuating circumstances. He said the Department is in the process of correcting this routine type overtime.

Mr. Hohman requested additional information from Water and Harbors. He requested the revenue for the past five years on motor fuel tax and this be broken down by divisions.

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

JOINT FINANCE COMMITTEE MEETING

March 4, 1971

9:10 a.m.

Present: Members of the Senate and House Finance Committees; interested members of the Senate and House of Representatives; Dr. Cliff R. Hartman, Commissioner; Robert L. Thomas, Deputy Commissioner, Department of Education; School Superintendents Montgomery, Anchorage; Hartenberger, Kenai; Hall, Cordova; Overstreet, Juneau; Taylor, Fairbanks; Page, Matanuska-Susitna; and Charles White, State-Operated Schools.

School Superintendents

Senator Butrovich called the meeting to order and introduced the members of the finance committees. Mr. Thomas introduced the school superintendents. Senator Butrovich asked for testimony from the superintendents and Mr. Montgomery, Anchorage. reported as follows: A difficult financial problem is facing the entire state and Anchorage has been as conservative as possible in preparing their budget. The budget has been presented to a Citizens Review Committee; however, the most difficult problem is estimating the unknowns involved. The largest portion of the budget is the salary of the teachers, and present salary figures have been used since negotiations with the teachers are not complete. Negotiations with the Teachers Association have reached a stalemate, and this is a big factor in the finalization of the budget. Another factor is the House bill introduced requesting shared participation in the transportation of students, which would add \$500,000 to the Anchorage budget. Negotiations are also going on with other unions, involving bus drivers, maintenance personnel, food service personnel, and office force, which will have a definite effect on the budget. Last year when the substitute teachers salaries were

increased, the cost to Anchorage was an additional \$50-60,000. Senator Rettig asked when the budget will be completed and Mr. Montgomery answered the Citizens Review Committee should finish their review by Monday. The budget will be presented to the school board on Tuesday for a general work session, and then the revised budget will be presented to the borough. Senator Rettig questioned the transportation charges and how they are presently handled. Mr. Montgomery said the state reimburses the districts. In answer to another question from Senator Rettig, Mr. Montgomery replied the local mill rate would decrease by 4 mills if the budget is carried as now presented. This reduction is caused by a heavy increase in evaluation, and Senator Palmer asked if the increase is a result of growth or an increase in the assessment of property bases. Mr. Montgomery said both areas affect the increase, and there is constant change in evaluation of property. Senator Lewis asked the effect of the Citizens Review Committee and Mr. Montgomery answered it has provided excellent results. The budget document consists of 9 portions, and the 10 or 11 people on the committee each review a different section. The committee consists of broad representation, including a member of the PTA, League of Women Voters, a student, a public accountant, a former legislator, an attorney, etc. Senator Rettig reported a substantial tax increase resulted from the re-evaluation of tax assessments and gave examples of the increase. Senator Thomas asked if there were any recommendations for changes in the Foundation Act, now that the school districts have had one year's experience with it, and Mr. Montgomery said they had a few technical problems with it at first, but basically

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no big problems. Senator Thomas then questioned the sale of school construction bonds and Mr. Montgomery said \$10 million were sold last year, a second \$10 million is scheduled for sale on March 5, and the remaining \$20 million will be scheduled for sale. They are behind on the sale of bonds and currently 7500 students are on double shift, but there is no real problem in selling the bonds when issued.

Testimony was heard from Mr. Hartenberger, Kenai, as follows: Both House Bill 35 and Senate Bill 66 deal with housing, and in the Kenai peninsula they are faced with a critical housing shortage. Several committee members questioned the use of the word "housing" and Mr. Hartenberger said it refers to classroom space, but he used the term since it is used in the bills. He continued with his explanation by saying the main high school has over 800 students in a school designed for 650, with a projection of 1,000 enrolling in September. They are within \$2-1/2 million of the total bonding limit and the minimum projection for construction exceeds \$5 million. Senator Hensley asked if there was any law about the number of students in a class and ~~Mr. Hartman said they know the desirable number, which depends on the~~ type of class. Public Safety, through the Fire Marshal, has regulations on the number of students. Senator Butrovich asked if Mr. Hartman wished to testify and Mr. Hartman said no, the superintendents were here to testify. Senator Butrovich then asked Mr. Hartman at what point of time the budgets were prepared and Mr. Hartman said the latter part of October, first of November. Projections are applied to the formula in the foundation support program when the pupil projections come from the districts in late October.

Senator Butrovich then questioned the effect of salary increases and Mr. Hartman said the additional costs must come from local revenues. Mr. Hall, Cordova, testified as follows: A great deal of good came from legislation passed last year, and Mr. Hall wished to discuss the situation from the point of view of a small district. Cordova is bonded to the hilt, and taxes and the mill rate cannot be increased further. Good programs are available, but funds are lacking to hire skilled people or provide classrooms. The traditional programs can be presented, but quality programs are not possible, such as vocational education and special education. Vocational education should begin at the 6th grade level in order to prepare students for a choice in later grades between continuing in vocational education or preparing for college. In answer to questions from various committee members, Mr. Hall said there are 510 students at Cordova, 307 in the elementary school. An introduction to manual arts should begin at the elementary level, offered to all students, and upgraded to the level of academic programs. Senator Rettig referred to the bond limit reached by Cordova and asked the effect of annexation. Mr. Hall replied he has taken a neutral stand on the issue, but if Cordova loses the state rate on students coming from outside the district, they will lose in the neighborhood of \$60,000. Mr. Hall described the Cordova area and said the City Council has estimated the assessment in the proposed area is approximately \$2 million. This would raise the bonding capability by \$200,000. The current mill rate is 18, with 10 for the schools. Discussion followed on the various programs in vocational education and Senator Rettig noted in the Arctic area the schools work in conjunction with unions to present programs. It was generally

agreed by committee members that more effort should be put in vocational education and Mr. Haugen added it has been talked about for years with very little constructive results.

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

AFTER RECESS
10:45 a.m.

Mr. Overstreet, Juneau, commented on the adequacy of the foundation program and believes generally it is an excellent approach. He added the fear that it may get out of date if ignored and his hope that the legislature will adjust the unit each year. He supports HB 141, which would increase the allotment to \$21,000, and said the questionnaire received from the House Finance Committee would show that basically every item would be affected by the increase. Mr. Haugen asked what effect the increase would have on the Department of Education's budget and Mr. Hartman answered it would result in a \$6.2 million increase, raising the budget request from \$68.5 to \$74.7 million.

George Taylor, Fairbanks, distributed copies of the Summary of Revenues and Summary of Expenditures for the Fairbanks district (see department file). He briefly summarized the figures listed and noted Fairbanks is at about the same stage as Anchorage as far as salary negotiations, but the board is adopting a tough policy. Mr. Taylor also recommended passing HB 141. 12.11 mills went to the school budget last year, and this year they estimate 13.57 mills. The actual levy last year was 8 mills, with the balance provided from sales tax. Next year the actual levy must be increased to 11 mills, since the instructional unit cost was \$23,000 last year and \$26,746 estimated for next year. Senator Rettig noted the cafeteria sales figure and

asked if this was correct, to which Mr. Taylor answered yes, and the cafeteria was subsidized by tax sources. Senator Ray questioned the large increase in instructional cost and Mr. Taylor said it resulted from the increase in teachers' salaries and the addition of teachers to the staff. Hopefully this will cut down the pupil/teacher ratio. Senator Ray then asked how the schools would get by on 60% state support instead of 90% and Mr. Taylor said they would increase class size. Mr. Taylor added that 75 classrooms were built last year due to the bond issue. Vocational education was discussed and Mr. Taylor said the only problem was that Fairbanks has 271 students enrolled in vocational education courses, for which they receive only one instructional unit for every 50 students. Mr. Hartman clarified this by pointing out that vocational education students have been funded once and vocational education credits are in addition to the original unit. In effect, they are funded twice to encourage development of vocational education programs. Mr. Thomas said the scale does decrease with the number of students enrolled: 5 to 10 students receive 1 unit, 11 to 20 students receive 2 units, up to 241 students where the instructional unit drops to 1 unit for every 50 students. Senator Lewis returned to the question of the effect of the state decreasing support from 90% to 60%; but when Senator Butrovich said he did not believe this was a valid question, Senator Lewis withdrew the question. Mr. Taylor, however, said courses would be dropped, staff reduced, and a general cut-back in programs with elective courses the first to go. Senator Ray commented that the first programs to be dropped would be the popular ones, in order to arouse the public:

Mr. Page, Matanuska-Susitna, was the next to testify and he said most of the general problems have been stated. The pending bill on transportation costs would result in \$90,000 local money used to pay the 25% required. The increase of the instructional unit last year did not fund the added expenses created by programs instituted by legislative action. Last year the substitute teachers' salary was increased but not funded. The retirement cost increased but was not funded. Additional help is now required to supervise lunch periods since teachers are now relieved of this duty. The largest increase, however, came from just a cost-of-living increase in the purchase of supplies and materials. If the instructional unit remains at the present figure, drastic cuts must be made in the program. At least \$500,000 will need to be cut from a \$4 million budget, but if the \$21,000 instructional unit is put into effect, only \$1/4 million will need to be cut. The increase in pupil enrollment is due to the close proximity to Anchorage, with 200 commuters. The population is increasing at a rapid percentage rate, resulting in a 13.7% increase in school population, and three new buildings are on the drawing board for the projection of 200 new classrooms necessary in the next ten years. Senator Palmer asked the mill rate and Mr. Page said 14-1/2, with a present evaluation of \$58 million. Senator Palmer then questioned the evaluation in comparison to Anchorage and Mr. Page said they are assessing at 100%, and re-evaluation of the property is a continuing process. Senator Koslosky questioned HB 152 and the sponsor and Mr. Wright had sponsored the bill. Mr. Fink said the sponsor wanted to get away from the 2% profit on transportation, since the state reimburses the districts at the level of 102%. Mr. Page said the 2% is put in for supervision, since it takes much time for maintenance

and scheduling of buses.

Charles White, State-Operated Schools, testified on the rural school problems. They strive to be responsive to the needs of rural Alaska and involve communities in planning; however, the programs needed cost money. Two things primarily are requested: pre-school programs and more training for people on the public school boards. Three bills are now pending in the legislature providing aid in the pre-school programs, and hopefully Johnson-O'Malley funds can be generated in this area. A lack of participation and lack of knowledge exists in the local school boards, and training can be obtained from the University of Alaska but funding is not available. The needs are known, but they can't deliver due to lack of money. It is not known if there will be enough funds for the transfer of the BIA schools coming under state supervision. Senator Hensley noted that transfer of the BIA schools has been deleted, and Mr. White said villages are voting now and possibly five or six will be ready to transfer shortly. Senator Hensley said he understood they had no choice, since the BIA accepted the idea and will not provide any more funds for construction.

Discussion continued on the possibility of schools voting to transfer back to the BIA and Mr. Hartman noted it would take one or two years for the federal government to fund reverse action. Senator Hensley asked what percentage comes from federal sources after the take-over and Mr. Hartman said it is approximately a 50-50 split as far as funding is concerned.

Adjourned: The meeting adjourned at 12:00 noon.

AFTER RECESS

2:00 p.m.

PRESENT: All members except Messrs. Wright and Degnan. Also present were Mr. Charles Herbert, Commissioner, Mr. Dale Wallington, Deputy Commissioner, Mr. Harry Aase, Administrative Officer, Dr. Fred Honsinger, State Veterinarian, Mr. F. J. Keenan, Director, Division of Lands, all from the Department of Natural Resources. Also present were Messrs. Gene Smith and John Alinghouse from Budget and Management.

Mr. Hohman called the meeting to order and asked Mr. Herbert to make an opening statement. Mr. Herbert said they do not anticipate any changes in the program, maybe next year but none at this time. He said the level of the budget as it was submitted, minus new programs, is approximately a 4 percent increase which is the cost of program maintenance level.

Mr. Fink wanted to know if they had prepared a revised budget, showing the decreases just proposed by the Governor. Mr. Herbert said not yet, but they had approximately \$800,000 in new programs cut by the Governor and he has found no fault with this approach. In reply to another question by Mr. Fink, Mr. Herbert said the biggest share of this decrease will be in new programs. He referred to the ecologist position which had never been filled and will be deleted due to the nine-month vacancy factor. There are four other positions that have the nine-month vacancy factor for a total of five ~~positions~~ will be deleted, and he felt the department would get along without these positions.

Division
of
Agriculture

Mr. Fink asked about the agricultural loan fund and Dr. Honsinger submitted to the committee: 1) a comparative balance sheet; 2) income and expense statement; 3) loan resume', as of January 31, 1970; 4) one as of January 31, 1971; and 5) a chart showing collections for 1969, 1970, 1971. He also included a letter written to Senator C. R. Lewis explaining the loan program. [See pages 314 - 318 .]

Mr. Herbert told the committee that he felt the loan fund was in better shape because there was more revolving money available.

Small
Grain
Incentive

In answering questions on the Small Grain Incentive loan fund, Mr. Herbert said that \$13,000 had actually been spent on grain incentive and they do anticipate increase activity this year. He said \$20,000 was used in the previous year. Mr. Fink noted that \$80,000 had been authorized last year for this program, and Mr. Herbert said because they hadn't used that much that they were cutting the request to \$40,000 for this year. Dr. Honsinger said they had loaned out \$500,000 in the irrigation program so he felt this year they would be using more money in the small grain program because of the emphasis on the irrigation.

Agril.
Loan
Fund

On the subject of the Agricultural Loan Fund, Dr. Honsinger said they have 246 operating at the present time with the committee every three months. He said they have about \$160,000 on hand for new loans and they are revolving about \$40,000 to \$60,000 a month. Mr. Fink wondered if they were meeting the demand, and Dr. Honsinger replied that they have never yet met it. He said the limitations have been increased and they are getting requests

for \$100,000 and even \$200,000 loans and this takes quite a "chunk" out of the fund. Last year they made three \$100,000 loans. Mr. Fink said that in discussing loans with Veterans Affairs, they found there is no foreclosure activity because the Attorney General's office just hasn't acted on these. He wondered if they were having the same problem. Dr. Honsinger said they have had quite a few foreclosures and they have resold some of this repossessed property, and they have had about an \$18,000 gain in loan money on sale of repossessed property.

Office of
Director

100

No new positions were requested. No questions.

200

Mr. Hohman asked why travel had increased \$1400 and Mr. Smith said it was related to the airplane fare increase and the per diem increase.

300

Contractual services has an increase of \$22,700 which is an increase in professional fees and services for planning and engineering specifications for development of economical sources of irrigation water for groups of farms not having access to streams or ponds and where wells are inadequate. This was requested last year but deleted because it was felt this would be taken care of by the new irrigation program (Ch.31 SLA1970).

400

No questions.

500

No questions.

700

This is for aid to fairs and Mr. Herbert said it is at the same level as last year.

Mr. Degnan arrived.

800

The \$50,000 for land clearing which had been inserted by the Free Conference Committee on the budget last year for the purpose of contracting with the BLM on a matching basis with rural communities for land clearing projects was not requested for this year, and Mr. Herbert said that the \$50,000 for last year would lapse. He said the reason it would lapse was that they could not work out a good logical way to use the money properly. He said it didn't do any good to just go ahead and clear land without a plan. They have contracted with the University of Alaska to do some work on a sensible approach to this. Mr. Fink said this lapse was not shown in the chart given to the committee recently by the Department of Administration. Mr. Hogan reminded the committee that the lapses shown on this chart were ones that the Administration knew about and they had not had time to consult with the departments to find out about individual programs such as this.

Mr. Hohman asked about the legislation (HOUSE BILL NO. 21) that was presently in House Finance that would raise the assistance to fairs, and wondered if the Department was in favor of it.

Mr. Wallington said that this had not been requested by the department.

900

Mr. Herbert said this was increased by \$1,000 because they have had to revise their regulations which necessitates re-printing of them.

The Agricultural Marketing Specialist I will be deleted, according to Mr. Wallington, because of the nine-month vacancy factor. There was a discussion on the reasons for the existence of this section and Dr. Honsinger said they maintain two produce inspectors -- one in Fairbanks and one in Anchorage. They work on USDA certification, as a large percentage of selling of produce to the military is done by local producers and this cannot be done without certification. Dr. Honsinger said they sell fresh produce such as potatoes to the military; however, potato sales have decreased greatly since the military has gone to frozen produce. The state is trying to develop frozen foods now to meet this demand, and Mr. Warwick wondered if they have any producers in the state of frozen vegetables. Dr. Honsinger referred to the pea project that just terminated, and said they were doing some frozen food studies but that it was hard to justify a plant. Mr. Warwick wondered if they were changing direction due to the military's new policy on purchasing and Dr. Honsinger said they have some money in this budget for a study on frozen vegetables and that they were working in conjunction with the University and also private industry. He said the produce people are in a real bind if they lose the military market, as they have been taking about one-third of the produce. Mr. Warwick wanted to know why they were spending \$74,000 to inspect for such a small industry, and Mr. Wallington pointed out that this is a consumer protection program. They are

inspecting everything, not just the local produce. He said they are responsible for egg inspection and Alaska has historically suffered from receiving poor grades of eggs. The question was raised on vacant positions that the department would be losing because of the nine-month vacancy factor and the following five positions were listed:

- 1 Petroleum Engineer -- Oil and Gas Division
- 1 Accountant II -- Commissioner's Office
- 2 Geologists -- Division of Mining
- 1 Agricultural Marketing Specialist I -- Department of Agriculture

Mr. Hohman asked for a list of positions by PCN number showing the present vacancy factor. Mr. Haugen felt the department should prepare a memorandum showing their decreases so it could be applied directly to the budget document which would enable the committee to pick these changes out.

Mr. Hohman told Mr. Herbert that the committee would send the department a written request for this information.

Mr. Fink wanted to know if the pea project that was a pilot project had been phased out. Dr. Honsinger, in answering Mr. Fink, read a letter written to Mr. Roland Snodgrass, Director of this project, from Edward D. Kern, Marketing Specialist on this subject. (See pages 319 - 322 for a copy of this letter.)

300

Mr. Fink wanted to know if they were going to cut the \$5400 which was a program increase. Mr. Aase said this item, which was for seasonal employment of a qualified inspector for imported seeds, bedding plants, etc., and also for professional

assistance in updating regulations, was one they would like to keep, but he didn't know what the decision would be. Mr. Fink wondered if they anticipated making any changes to take care of some of these new programs. Mr. Wallington said they did and they would include this in the memorandum to the committee.

Animal
Industry
Section

Since the Federal Wholesome Meat Act passed in 1967 Dr. Honsinger said they had to acquire five new meat inspectors. Dr. Honsinger said that in four states, the federal meat inspectors had taken over and it is likely they will take over others. He said this situation is not desirable for a number of reasons. He said most of the small producers in Alaska prefer local people doing this. In addition, when the federal does this, the state still has to pay for the service. He said they are opening up five new slaughterhouses at Kodiak, Umnak, Fairbanks, Big Delta and Homer which will increase the workload. Dr. Honsinger said they do receive about \$20,000 a year federal funds from USDA for inspection purposes.

Mr. Fink said it looked like the department would be lapsing, along with the \$50,000 in land clearing, another \$60,000 in the small grain incentive program and thought this should be noted.

Administration
100

The committee then reverted to Book I, Administration. No new positions were requested. (This is the section where the Ecologist and the Accountant II were being deleted

because of the nine-month vacancy factor.)

Mr. Smith said his understanding on the positions that are currently authorized and being deleted because they have been vacant for nine months that only personal services will be decreased; however, in the new positions where new programs are deleted, the entire cost of the positions (travel, etc.) throughout the budget will be decreased.

500

Mr. Warwick asked about the equipment requested on page 25 of the workbook (WANG electronic calculator keyboard, WANG master card programmer, etc.) and Mr. Wallington said that the Oil and Gas Division has an electronic calculator machine that punch cards can be programmed into and assists in their oil projections. This newly requested equipment will go along with that but would be used by the Petroleum Revenue Audit Supervisor to perform the calculations necessary to verify accuracy of royalty payments to Division of Lands and tax payments to the Department of Revenue. He would be using the same system as the Oil and Gas Division, but this request is in the Commissioner's Office because that is where the Revenue Audit Supervisor works.

Mr. Fink noted this was part of a new program request and asked if the department knew yet where they would take their cuts. Mr. Herbert said they do not know well enough but they would probably have to review and talk to the directors of the various divisions which they haven't had a chance to do yet. He said they should know by Monday and will then notify

Management
State
Lands
Office
of
Director

the committee by memorandum.

Messrs. Haugen and Degnan left the meeting.

Mr. Hohman asked about the number of positions in the Director's Office. He said last year they had 51 and now it is down to 41. Mr. Aase said that these positions had been transferred to the newly created Division of Parks.

Mr. Haugen asked Mr. Keenan about land selections and how this will be effected by Indian land claims. Mr. Keenan didn't know if they would get first crack at land selections. In reply to Mr. Fink, Mr. Keenan said the state can justify 28,000,000 acres from the areas with the selections they have already made, but beyond that, they have to prove they need it. Mr. Fink wanted to know how many years the state had left to make its land selections and Mr. Keenan said they were in their 12th year so had 13 to go.

Mr. Warwick wondered if they would disclose where the land is that the state is planning on selecting. Mr. Keenan said they had selected the biggest part around the Chain and then from the Hood River to down around Illiamna, and down the chain to round out for oil and gas potential. He said a lot of this was made before the wildlife increased the land utilization prospects. Mt. McKinley, north of Susitna up into the Mt. McKinley area, along with some land in the Copper River basin has also been chosen. Mr. Keenan said this was a very general description but was basically these areas. Mr. Warwick requested a map, but Mr. Herbert told him it had not been

reviewed by him yet. However he didn't think it would be very wise at this time for the state to advertise the exact location of these selections anyway. Mr. Keenan said the original selections were predicated on those lands accessible for agriculture, forestry, oil and gas, etc., and he felt they had pretty well taken care of that type of land in the central part of the state and now they are getting into the aspect of minerals, recreation, wildlife, etc.

Mr. Warwick asked if they saw any conflict in areas that the state wants versus Indian land claims. Mr. Keenan said yes, in the area where the Native villages would be given nine townships surrounding each village, he could foresee conflict in that area.

Mr. Fink asked how much of the 28 million acres had been patented and Mr. Keenan said about 7 million. He felt this would accelerate rapidly after settlement of land claims because BLM has been adjudicating this while the state has been waiting. He added that about 18 million acres had been tentatively approved, including the 7 million patented land.

Mr. Haugen asked about the proposed plan for constructing airports in the bush and wondered how much trouble the state would have acquiring land for this purpose due to land claims, the land freeze, etc.

Mr. Keenan said the policy in the past has been to get release of a particular area from the Native group that has filed the claim. He said they get involved in this only when the state

makes the grant to the user when it is all cleared but the state adopted a policy whereby they do not contact the Natives. The user does that. Highways and Public Works had to clear away the obstacles before they grant the right-of-way. It is usually handled by the Native Council or a lawyer representing the village.

Mr. Keenan said there had been no land uses granted since the general land freeze. Prior to that his division did not issue land use until the user had it cleared.

Mr. Keenan said the last release he could recall was before the general land freeze when certain portions of the Valdez terminal area being determined as to whether it would be suitable and certain amounts of land from within the claim area. They were able to get a stipulation signed by the Native council, but there was no freeze on that.

Mr. Keenan said, in reply to a question by Mr. Fink, that the state had 7 million acres patented, 11 million tentatively approved and 10 million that is not yet tentatively approved.

Mr. Fink asked if they would be issuing right-of-way on land they had applied for but not yet TA'd and Mr. Keenan said no. He said what they normally do if Highways wants to build a road is to give them a letter of non-objection and then Highways proceeds to other sources to get the right-of-way. Mr. Fink asked if they could do anything if they didn't have a patent or TA'd. Mr. Keenan said if they don't have a working title, they have no objection to Highways proceeding to other sources to get the easement.

Mr. Hohman said he had seen resolutions from village councils allowing airstrips to be built. Mr. Keenan did not think they had to get permission of the local natives but as a rule they seek

approval of the local group.

In reply to Mr. Fink, Mr. Keenan said that some of the uses are of such a nature that they don't require much of a title and so his division gives them permission to use it or at least they say they have no objection. The department feels that by virtue of selection under the terms of the Statehood Act that they can permit entry and utilization. If they have to have title then they have to go through the federal government.

Mr. Hohman referred to the airports at the Chefornek and Kipnuk and said that the Natives gave their approval and the then Secretary of the Interior Hickel lifted the land freeze for those strips. Later, the then Commissioner of Public Works said it was not released and used that as an excuse to delay building the airstrips. Mr. Hohman called a recess at 3:40 p.m.

AFTER RECESS

4:00 p.m.

Central
District

Mr. Fink questioned the Central Services section of Division of Lands and Mr. Keenan said these people were in Anchorage, along with those in the Southcentral District.

Mr. Fink asked how many vacancies out the 109 positions were in the Office of the Director. Mr. Wallingston said it varied from month to month. Mr. Smith said six of the 109 had been transferred to Division of Parks. Mr. Hohman said, according to the list provided by Department of Administration, they currently have 15 vacancies. Mr. Aase said this would have to include vacant seasonal positions.

Mr. Hogan said this constituted a \$50,900 vacancy factor to date, and that was only on permanent positions. That figure did not account for funds left from seasonal positions. Mr. Aase said whenever they lost a permanent position, they often had to pay for several months leave so this often absorbed some of the extra. Mr. Keenan pointed out that some of these higher level vacancies are technical positions and are difficult to fill.

Mr. Keenan was asked how the lifting of the land freeze would affect his division and he replied that it would naturally increase the workload for awhile but with new positions he felt they could absorb the additional work. He said this would have a very significant impact; however, their system is pretty well established, so he felt with more people they will not have too many problems handling it. He said one of the continuing needs in this division is for surveying. He said the federal government must survey prior to turning over the land to the state but they survey it by placing markers on a township so if the state wants to make disposal within that township then they have to go into it and make their own if they want a meaningful survey.

Mr. Fink wanted to know if there would be any oil sales in the near future. Mr. Keenan said they are working on that now and they have asked for nominations. He said he didn't know the date, that it had not been set. Mr. Keenan said further that it would not be a very big sale.

Mr. Fink wanted to know if it would be before July 1. Mr. Keenan said yes, but only in the Cook Inlet area, and they don't expect it to be very exciting. Mr. Wallington said it would give them a good

a good idea of how the oil companies feel about investing in Alaska. Mr. Warwick wondered if it wouldn't be more beneficial to wait. Mr. Wallington said by holding the sale soon, at least they will be getting rental money on the land.

Mr. Haugen concluded the meeting with the remark that he felt it (the oil lease sale) was a bit "like dropping a rock in an old well to see what you will hear."

Meeting adjourned at 4:30 p.m.

COMPARATIVE BALANCE SHEET
ALASKA AGRICULTURAL REVOLVING LOAN FUND

<u>ASSETS</u>		
	<u>1-31-71</u>	<u>1-31-70</u>
Cash with Treasury	\$ 223,103.65	\$ 172,493.84
Loans Receivable	2,804,145.87	1,488,086.88
Repossessed Property	<u>0.00</u>	<u>177,188.69</u>
TOTAL ASSETS	\$3,027,249.52	\$1,837,769.41
 <u>LIABILITIES AND SURPLUS</u>		
	<u>1-31-71</u>	<u>1-31-70</u>
Liabilities		
Owed Teachers Retirement System	\$23,332.91	\$68,735.31
Owed Public Employees Retirement System	<u>83,219.20</u>	<u>84,863.19</u>
Total Liabilities	\$105,634.28	\$153,598.50
 Surplus		
From Legislative Appropriation	\$2,840,000.00	\$1,540,000.00
Earned Surplus	<u>81,615.24*</u>	<u>144,170.91</u>
Total Surplus	\$2,921,615.24	\$1,684,170.91
 TOTAL LIABILITIES & SURPLUS	\$3,027,249.52	\$1,837,769.41

* Decrease in Surplus attributed to write-off as uncollectible of ten loans totaling \$114,193.47 which had accumulated over the years. Cases involved bankruptcy, foreclosure or voluntary liquidation of collateral.

AGRICULTURAL REVOLVING LOAN FUND

INCOME AND EXPENSE STATEMENT

July 1, 1970 thru January 31, 1971

BEGINNING SURPLUS BALANCE

\$158,933.71

INCOME:

Interest received on Agriculture Loans

\$55,897.20

Interest received on Irrigation Loans

2,557.25

Gain on Loans

17,409.58

75,864.03

DISBURSEMENTS:

Administration Expense:

Personal Services

\$15,944.95

Travel

3,516.24

Equipment

430.58

Other

14,656.65

Total Administrative Expense

\$34,548.42

Interest Expense (T.R.S. and P.E.R.S.)

4,076.61

Insurance on Repossessed Property

364.00

Write-Off Ten Uncollectible Loans

114,193.47

Total Disbursements

153,182.50

ENDING SURPLUS BALANCE

\$81,615.24

LOAN RESUME' AS OF JANUARY 31, 1970

<u>Area</u>	<u>Status</u>	<u>Loan Balance</u>	<u>% of Loans by Area</u>	<u>Delinquency</u>		
				<u>Dollar</u>	<u>% In Area</u> <u>% of Total</u>	
Matanuska	Active	\$514,300.29	42.4	\$102,007.21	33.0	37.7
	Litigation	100,822.87		100,822.87		
	Total	<u>\$615,123.16</u>		<u>\$202,830.08</u>		
Tanana	Active	\$320,995.98	29.9	\$ 70,685.32	42.2	34.0
	Litigation	112,190.35		112,190.35		
	Total	<u>\$433,186.33</u>		<u>\$182,875.67</u>		
Kenai	Active	\$254,989.26	21.5	\$63,829.39	38.8	22.5
	Litigation	57,302.45		57,302.45		
	Total	<u>\$312,291.71</u>		<u>\$121,131.84</u>		
Other	Active	\$90,409.30	6.2	\$31,298.18	34.6	5.8
	Litigation	0.00		0.00		
	Total	<u>\$90,409.30</u>		<u>\$31,298.18</u>		
Total Active		\$1,180,694.83		\$267,829.10		
Total Litigation		<u>270,315.67</u>		<u>270,315.67</u>		
Grand Total		<u>\$1,451,010.50</u>		<u>\$538,135.77</u>		

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3/4/71

LOAN RESUME' AS OF JANUARY 31, 1971

<u>AREA</u>	<u>NO. & STATUS</u>	<u>LOAN BALANCE</u>	<u>% OF LOANS BY AREA</u>	<u>DELINQUENCY</u>	
				<u>DOLLAR</u>	<u>% IN AREA % OF TOTAL</u>
<u>Matanuska</u>					
59 Borrowers	- 119 Active	\$1,312,039.78		\$ 79,354.72	
4 Borrowers	- 10 Litigation	41,112.95		41,112.95	
<u>63 Borrowers</u>	<u>- 129 Total Loans</u>	<u>\$1,353,152.73</u>	49.8	<u>\$120,467.67</u>	8.9 32.7
<u>Tanana</u>					
36 Borrowers	- 70 Active	\$839,575.51		\$71,786.34	
3 Borrowers	- 9 Litigation	80,055.56		80,055.56	
<u>39 Borrowers</u>	<u>- 79 Total Loans</u>	<u>\$919,631.07</u>	33.8	<u>\$151,841.90</u>	16.5 41.2
<u>Kenai</u>					
30 Borrowers	- 41 Active	\$238,624.87		\$46,799.81	
2 Borrowers	- 3 Litigation	33,390.72		33,390.72	
<u>32 Borrowers</u>	<u>- 44 Total Loans</u>	<u>\$272,015.59</u>	10.0	<u>\$80,190.53</u>	29.5 21.7
<u>Other</u>					
11 Borrowers	- 13 Active	\$174,617.38		\$15,738.73	
0 Borrowers	- 0 Litigation	0.00		0.00	
<u>11 Borrowers</u>	<u>- 13 Total Loans</u>	<u>\$174,617.38</u>	6.4	<u>\$15,738.73</u>	9.0 4.4
<hr/>					
136 Borrowers	- 244 Active Loans	\$2,564,857.54		\$213,679.60	
9 Borrowers	- 21 Litigation	154,559.23		154,559.23	
<u>145 Borrowers</u>	<u>- 265 Total Loans</u>	<u>\$2,719,416.77</u>		<u>\$368,238.83</u>	= 13.5% of Total Loan Balance

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COLLECTIONS

<u>Month</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
January		\$ 7,215	\$45,452
February		7,513	24,104*
March		27,465	
April		25,037	
May		38,890	
June		23,394	
July	\$ 3,472)	26,121)	
August	6,169)	14,715)	
September	27,231)	35,081)	
October	18,922)	23,146)	
November	20,451)	46,657)	
December	27,547)	44,581)	
	\$103,792		\$190,301**

*Through February 16, 1971.

**Second Half 1970 Collections up 83%

February 19, 1971

Senator C.R. Lewis
Alaska State Senate
Pouch V
Juneau, Alaska 99801

Dear Senator Lewis:

Your letter of February 9th to Mr. Wallington concerning the Alaska Agricultural Revolving Loan Fund has been referred to me for reply.

The stated objective of the Agricultural Loan Act, passed by the 1953 Legislature, was "to promote the more rapid development of agriculture as an industry throughout Alaska by means of long-term, low interest loans." A statutory Loan Board of three farmers, a banker, and a business man was appointed. Following statehood, this Board was discontinued for a time, and later restored by action of Governor Hickel.

Appropriations to the Fund have been made as follows:

1953	\$ 200,000
1955	150,000
1957	125,000
1959	100,000
1960	75,000
1961	200,000
1962	200,000
1966	45,000
1967	45,000
1968	300,000
1969	100,000
1970	800,000
1970	500,000 (Irrigation)

TOTAL APPROPRIATION: \$2,840,000

As you will note, no appropriations were made between the years 1962-1966. However, provision was made for the Loan Fund to borrow from the Public Employees and Teachers Retirement at 5% per annum. Approximately \$500,000 was borrowed for which it was necessary to pledge first mortgages on long

term real estate loans, bearing interest at 4 1/2% as collateral. As of January 31, 1971, this amount has been reduced to a balance of \$105,434.28, making a total funding on that date of \$2,905,634.28.

Four types of loans are currently made:

1. Short Term Loans in amounts up to \$15,000, bearing interest not to exceed 6% on terms up to one year for operational needs such as feed, seed, fertilizer, and harvest labor.
2. Chattel Loans in amounts up to \$100,000 for the purchase of equipment or livestock, bearing interest not to exceed 6% on terms up to seven years.
3. Farm Development Loans in amounts up to \$150,000, bearing interest not to exceed 5 1/2% to purchase or install permanent improvement on land for terms up to thirty years.
4. Irrigation Loans. The 1970 Legislature appropriated \$500,000 for the specific purpose of installing irrigation systems. As determined by the Commissioner of Natural Resources, these loans bear interest at 4% and are generally for ten years. However, they may be extended up to twenty years when secured by real estate and used primarily for forage production.

Since the beginning of the loan program, the following totals in each category have been made:

Short Term	661
Chattel	500
Farm Development	232
Irrigation	<u>34</u>
Total	1,427

The present total of outstanding loans is 265, indicating the degree to which the Fund revolves.

The attached Operating Statement & Balance Sheet was prepared with the assistance of Mr. Russell Phillips of the Department of Administration. It indicates that in addition to paying all operating costs, absorbing a half-percent on Retirement System funds, and losses from writeoffs of \$114,193.47 from bankruptcies, voluntary liquidations, and collection expenses since 1953, the assets of the Fund now total \$3,027,249.52 for a surplus of \$81,615.24 plus interest accruals. Mr. Dunn, the auditor, indicated these should not be listed as assets.

In comparing the January 31, 1971 Loan Summary with that of January 31, 1970, it is good to note that dollar delinquency has decreased from 37.1% to 13.5%. While partially reflecting discontinuance of carrying some worthless loans as assets, I believe this reflects an improvement both in farm income and in collection efforts.

As to contemplated future activities, in addition to furnishing operating credit when needed, it appears necessary and desirable to 1) continue assistance in expansion and modernization of Alaskan farms to keep them competitive in today's markets, 2) continue assistance in providing irrigation, 3) assist in transfer of developed or partially developed farms to a younger generation, and 4) assist in financing processing and marketing facilities.

As a considerable portion of loans are on relatively long terms, it seems to be a good policy to supplement the Fund, as we can afford it, toward the authorized limit of \$5,000,000 as a means of developing the industry for the time the state will be dependent on its renewable resources, and the time its agriculture may be a critical factor in the welfare of its people.

Yours very truly,

ROLAND SNODGRASS
Director of Agriculture

RS:vc
Attachments:

Income & Expense Statement, July 1, 1970 through January 31, 1971
Balance Sheet, January 31, 1971
Comparative Balance Sheet, 1971-1970
Loan Resume, January 31, 1970
Loan Resume, January 31, 1971
Partial comparison of monthly collections.

MEMORANDUM

State of Alaska
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE

TO: Roland Snodgrass
Director

DATE : February 17, 1971

FROM: Edward D. Kern *EDK*
Marketing Specialist

SUBJECT: Frozen Vegetable Industry

The Frozen Vegetable Project designed for a three year pilot study has been completed. Feasibility information has been obtained on the following:

1. Production and harvesting techniques.
2. Processing methods and equipment requirements.
3. Marketing methods and establishment of the fact that there is consumer acceptance of the locally processed products.

A complete feasibility study is presently being completed by the Division of Agriculture and the Department of Economic Development with the assistance of the Institute of Agricultural Sciences.

Arctic Frozen Foods Inc., a locally managed corporation, has requested lease of the project equipment for the 1971 season for production and processing.

Arctic Frozen Foods has two consultants working on a plant design and equipment needs plan. They are Bert Van Dyke, former project manager, and Roger Baker of Food Industries Research and Engineering, Yakima, Washington. Mr. Baker had submitted a 30 page report plus floor plans in August 1970.

The corporation has also approached E.D.A. on financing their project but no commitments have been made.

New impetus has been added to establishing a processing facility with the decrease in use of fresh potatoes by the military in Alaska. Military average monthly purchases have decreased from 600,000 pounds during the 1962-1965 period down to 400,000 pounds in 1967 and a monthly average of 200,000 pounds during 1970. This reduction in fresh potatoes has been replaced by processed french fries and hash browns and more recently by powdered potatoes.

There has also been a similar reduction in the civilian sector of the potato market. There will reportedly be a 33% increase in baking potato sales with the increased use of electronic ovens. This will necessitate a sizing operation locally which will work nicely with a processing operation and allow local producers to enter into the institutional trade more effectively in Alaska.

Recent tests by the Institute of Agricultural Sciences have shown that we have three potato varieties suitable for frozen potato processing and baking presently in production, (Kennebek, No. 90 and Bake King).

With the results of our study and information gained from the Arctic Frozen Food consultants there is a reasonable possibility that a processing facility for both fresh vegetables and potatoes can be in production during the 1972 season if construction begins this year.

Attached: Current Evaluation of Pea Project *delete*

HOUSE FINANCE COMMITTEE MEETING

March 5, 1971

9:00 a.m.

Present: All members except Mr. Wright. Mr. Dale Wallington, Deputy Commissioner; Mr. Jim Williams, Director of the Division of Geological Survey; Mr. Homer Burrell, Director of the Division of Oil and Gas; T. G. Smith, Director of the Division of Parks; Mr. O.K. Gilbreth, Chief Petroleum Engineer; and Mr. Aase, Administrative Officer; and Mr. Tom Marshall from the Department of Natural Resources were also present. Mr. Gene Smith, Budget and Management, was also present.

Chairman Hohman called the meeting to order.

DEPT. OF NATURAL RESOURCES
Geological Survey

The committee was present to discuss the budget for the Department of Natural Resources.

Mr. Hohman left the meeting and Mr. Warwick took over the chair. Mr. Wallington explained that last year legislation was passed to create a Geological Survey.

Mr. Warwick asked what accounted for the decrease in the Mining Section. Mr. Williams said this decrease is due to the aeromagnetic program. This is now budgeted on page 299 of the budget.

Mr. Warwick said he thought there was a resolution in the Senate asking the U.S. Geological Survey to conduct a survey over Brooks Range. Mr. Williams said these are different programs; however, they supplement each other.

Mr. Warwick asked how the Governor's cut is going to effect this program. Mr. Wallington said the only thing in this budget to change will be the program increase. He said there will be some equipment cut out.

Mr. Fink said the program increase in Geological Survey is \$119,000. Mr. Wallington said this is mainly in equipment.

Mr. Haugen asked what they would do if they haven't got this equipment. Mr. Wallington said they will have to use what they have -- they will have no new equipment for expanding the program.

Office of the Director

Mr. Warwick asked for a description of the functions of the Office of the Director. Mr. Williams explained this office does what administrative work is necessary. They type reports, put together publications, a monthly bulletin and take care of all the housekeeping functions. He said the program increase is centered around the request for a MTST and central dictating system so they can more efficiently get reports and correspondence out. He explained their reports have to be drafted and redrafted and an MTST would be of great value. Mr. Williams said the report he is talking about is a Geological and Geochemistry report that goes to industries. This report encourages industry to go into areas and explore for ore deposits. He noted this is one of the most important products of the division.

Mr. Warwick asked which journals these reports are in and Mr. Williams said they are published under separate cover. In answer to Mr. Warwick, Mr. Williams explained they are made available to anyone who wants them at a charge of \$1. Mr. Fink asked if there have been any developments as a result of these reports. Mr. Williams answered absolutely -- the companies use them and go into the field with consultants. He felt there was a fair amount of development going on as a result of these reports.

Mr. Wallington added that it takes 10 years to put a mine into development. Mr. Fink asked how long they have been putting out these reports. Mr. Williams said since 1963. He added that mining developments are awfully slow -- even in the South 48 it takes an average of 7 years from the time the project begins to get serious attention until it begins to produce and things are even slower in Alaska.

Mr. Haugen asked if the Marcona project is serious.

Mr. Williams said they will be if they can see where they can make a reasonable profit.

Mr. Wallington added this is in the talking stage now. They have a problem with water quality.

Laboratory Section Mr. Williams explained this section is required by law to assist prospectors with a free public assaying service. The laboratory also supports the geological work by doing analysis that the geologists need in connection with airport work. Mr. Warwick asked if they

use the computer facilities at the University of Alaska.

Mr. Williams said they are not using this for analysis but they are using the computer in handling the data received from analysis. He said the University was charging \$10 or \$12 an hour -- they have changed their policy and reduced this charge to \$2 or \$4 an hour. However, they must purchase the supplies necessary for use on the computer.

Mr. Warwick asked where this would be budgeted and Mr. Williams said under contractual services.

Mr. Williams said in the budget they had asked for rental of a new emission spectrometer. He said this had been deleted by the Governor.

This should be \$4,000 a year (page 258 of the budget) instead of \$28,000 which showed an increase of \$24,000.

Mr. Smith said the program maintenance level for contractual services is \$7,700. The program increase is \$26,700.

Mr. Fink asked if they still have a commercial laboratory in the state. Mr. Williams said there is one -- he pointed out they endeavor not to be in conflict with private enterprise.

Mr. Fink asked if they were looking toward real development of minerals. Mr. Williams said this depends on the land claims. Mr. Fink said assuming the land claims are taken care of and the ecology problems are solved, would there be a development of minerals.

Mr. Williams said he believed they would see some real development. He pointed out that mining companies are looking at Alaska more and more. Mr. Fink said the main benefit in this type of development would be from employment. Mr. Williams

pointed out there would also be a corporate tax from these companies. Mr. Fink pointed out there would not be a severance tax.

Mr. Warwick asked what effect the Native Land Claims has had on the development of mining. Mr. Williams said it has had no great effect but the companies are apprehensive. He said he could not determine if they are holding back but he feels they are scared of this situation. Mr. Warwick asked if the Native Land Claims disallows taking minerals from the ground. Mr. Wallington said the freeze does eliminate removing non metallic material.

Mr. Haugen felt with all these problems and the cost of doing business in Alaska the state is years away from getting anything substantial along this line. Mr. Wallington said from their standpoint they can't be anything but optimistic.

Mr. Fink said there may have been development in mining but he has not seen it. This was discussed by the committee. Mr. Wallington said recently he had had two oil companies tell him that none is interested in investment in Alaska until the present land conditions are settled. He said this would probably also apply to mining. No one knows what the turnout will be and they do not want to gamble.

Mr. Fink asked if it would be possible to have a list of prospects that might work out on the next 10 years. Mr. Warwick requested a list of the potential areas and the minerals involved. He asked for a dollar amount but Mr. Williams

said this would be impossible; however, he could indicate whether it was small, medium or large.

Geology Services

Mr. Williams explained this is a new section. It was created to take care of additional duties. These are fields the legislature last year felt the Division should be getting into.

Mr. Degnan left the meeting.

The number of new positions was discussed. It was noted all had been cut except for the Chief Geologist and Mining Geologist and Mr. Williams said they would perform mine safety inspections.

Mr. Warwick asked about the increase in travel. Mr. Aase said that most of the program increases are directly related to the new positions. He said they would have to alter the plan that was developed last year but they have plenty of work to do.

Mr. Fink asked about the \$500,000 that the Governor requested be put in this budget. Mr. Gene Smith explained that \$500,000 had been added by Governor Egan to the budget document.

Mr. Wallington explained this is for making surveys of seismograph work to evaluate the state oil leases -- including existing leases and unleased land. Mr. Burrell explained this in detail. He said that they have contacted oil companies to try and buy their reports but they will not sell them. These reports have confidential clauses which run 25 years. They have also contacted private contractors who have done

reports and they are not interested in selling their studies to the state unless the state is willing to keep these reports confidential. Mr. Fink said then the theory is that the state will do this research now and it will be available to everybody. Mr. Burrell said the only kind of survey that is available is what they call a reconnaissance survey. The oil companies do this work together and afterwards they individually interpret the reports. The reconnaissance survey is worthless unless you are able to interpret it. He said frankly he would not want to turn this type of report loose on "John Q. Public." Mr. Fink said then this \$500,000 is seed money but will eventually cost a lot more. Mr. Fink asked how much money the oil companies have spent on this type of report on the North Slope. Mr. Burrell said the oil companies have spent \$20,000,000 since the Prudhoe Bay discovery and \$75,000,000 before. Mr. Fink asked where the \$500,000 is the Governor added and Mr. Smith said it is in the blue budget document -- not in the list of budget codes.

Prospector Aid This showed a 0 balance. Mr. Fink asked if this program accomplished anything. Mr. Williams said they had this program for four or five years. In Southeast, in particular, it generated exploration as a result of one of the prospector's discoveries. Mr. Fink asked why it was not requested this year. Mr. Wallington said the legislature had cut this out last year and they decided not to add it again because they felt it would not be approved.

Mr. Haugen questioned the decreases in the budget. He felt they should have a detailed analysis as a result of the Governor's cut. Mr. Smith pointed out the program increases are spelled out and Mr. Warwick said some of the cuts are not program increases. Mr. Smith said they have proposed to cut all of the program increases with each department having alternatives. He said this is presently being worked out. Mr. Fink said then Budget and Management is going to come up with a new set of figures. Mr. Smith said this is now being worked out and should take another week or two. Mr. Fink asked Mr. Smith if they anticipate coming in with a document showing each cut. Mr. Smith said yes, if it is something other than program increase.

Mr. Wallington said there would be some "trade-offs" but this will be included in a memo to the committee which will be sent on Monday.

OIL AND GAS Mr. Burrell explained the functions of this Division.

Office of the Director Mr. Burrell said the program increases are the only things that have been cut out. Mr. Aase said that one position had been vacant for nine months.
200: Mr. Burrell felt they could forego the program increase in travel by "judicious justice" of their trips. He added that the slowdown in activities on the North Slope is the reason they can do this. In answer to Mr. Haugen, Mr. Burrell said the most recent version he has heard on this is the permit

probably won't be granted until the land problem is solved. Mr. Burrell said they request administration discretion on the use of the travel money.

In code 300, the major increase is \$10,000 with an additional \$10,000 contemplated for a refinery analysis for crude oil for the North Slope so they may determine fair value. This could be deferred since the North Slope is not moving, Mr. Burrell added.

Mr. Warwick asked if the equipment is going to be needed (page 406 of the budget). Mr. Burrell said the bill passed last session (chapter 209) provided they get all the logs on all the wells. This is a big bundle of material and very valuable. He said it is confidential for two years and they are trying to get a storage space that is fireproof. Mr. Warwick said then this is not being knocked out. Mr. Wallington said if it is an increase it is out unless it is traded. Mr. Burrell said they badly need these logs. Mr. Fink asked if they have the staff to study these logs after they get them. Mr. Burrell said yes.

Mr. Burrell said they recommend a deletion of the new Petroleum Engineer position.

Engineering Section

Mr. Gilbreth spoke on the responsibilities of this Division. He said basically their responsibility is to deal with policing of field operations of the oil companies. He said they have proposed one Reservoir Engineer to work exclusively on the Prudhoe Bay Reservoir. Mr. Gilbreth said

they had a request for two additional men through special appropriation. This was due to the North Slope. He said they have not been able to fill one of these positions and because of the slack see no reason to fill it at this time. He said they would like to be able to get a good qualified Reservoir Engineer.

Mr. Warwick asked if this man would be working with the drilling logs. Mr. Gilbreth answered yes and with Data Processing.

Mr. Haugen requested that the committee be provided with what private enterprise pays for comparable positions.

Mr. Wallington said this had been turned over to the Division of Personnel. This problem was discussed. Mr. Wallington said of the top three on the register there are none that they trust and he explained this problem. Mr. Fink asked what it would take to change this. Mr. Burrell said when they hire somebody they have to select from the top three on the register and he did not feel Personnel is qualified to select a Petroleum Engineer. This situation is satisfactory for clerical work but not for professional positions. Mr. Fink requested that the Director of Personnel appear before the committee on this subject.

Mr. Haugen asked what private enterprise pays for this position and Mr. Fink said it was his understanding the problem was not pay but rather the register. Mr. Smith asked if they could pick from the entire register if they

thought they could hire someone. Mr. Burrell said yes, there are enough people who want to come to Alaska.

He added that if they had higher salaries they would have more people on the register.

Recess: The committee recessed at 10:35 a.m. and was called back to order at 10:45.

The committee discussed the price of oil per barrel. Mr. Fink did not understand how they arrived at \$1.60 a barrel price. Mr. Fink felt this price should change because the price of oil is changing. The committee referred to the Levy report and Mr. Gilbreth said this report did not take gravity and tanker cost into consideration.

Mr. Fink asked the cost per barrel going through the pipeline. The committee requested a copy of the workpapers on how they arrived at the \$1.60 a barrel price. Mr. Fink said that the Governor is projecting a cutback and one of the primary figures he bases this cut on is revenue projections which show \$1.60 a barrel. He felt it was unrealistic. Mr. Fink questioned if the pipeline could carry more than 2,000,000 barrels and Mr. Gilbreth said he thought it would carry 2,200,000. It was noted the Levy report said 3,000,000. There was a discussion on how many barrels of oil there are on the North Slope. Mr. Fink asked if they think 15,000,000,000 is all that is presently discovered. Mr. Burrell said 15,000,000,000 is all that is discovered to date. Mr. Gilbreth said they had not made an estimate of Prudhoe Bay

reserve because they have not had the information to do this. Mr. Warwick asked after they receive the well logs how long it would take to come up with an estimate. Mr. Gilbreth said it would take 90 days for a rough estimate but a good estimate would take 1-1/2 years. Mr. Warwick asked if they could have an estimate at the end of the fiscal year. Mr. Gilbreth said they could have this at the end of the calendar year.

There was a discussion on the revenue projections.

Petroleum Geology Mr. Marshall explained they must keep all their information confidential for two years. He explained the functions of this division. Mr. Warwick said Mr. Marshall would probably know more than anyone how many barrels of oil are on the North Slope.

Mr. Marshall said the geological reserve can be calculated by cubic amount of sediment. He said they could look at the cubic amount of sediment and come up with a figure which would give them a starting point. He explained this is an unreliable figure and gave a technical explanation of why it is.

Mr. Fink asked about a particular well. Mr. Marshall said they are required by law to keep this information confidential. Mr. Fink asked if this confidential information is used for revenue projections. Mr. Marshall said if they can camouflage it then it is used.

Parks Mr. Ted Smith, Director of Parks, said they could not

be very explicit about the dollar amount of this budget as it is a new budget. The operating level is an estimate of areas that have been transferred.

Mr. Smith said although the Governor had asked that program increases be eliminated, this could not be done in the Division of Parks. He said they would have to work out some sort of trade-off. Mr. Gene Smith pointed out these program increases that are being cut are from general fund sources -- those funded from other sources are not in this scope.

Mr. Fink asked what was planned for this year and Mr. Ted Smith explained the program that is planned. Mr. Fink requested a list of capital improvements for what is planned this year and next year. This is to include amounts.

Mr. Fink asked about the positions requested in the Office of the Director. Mr. Smith explained that page 451 shows an analysis of positions and the funding relationship.

Mr. Fink asked how important these positions are. Mr. Smith said the development of parks could be turned on or off but they were concerned with maintenance.

Mr. Warwick asked if they have a large vacancy factor. Mr. Smith answered that they were "pretty well staffed most of the time."

Mr. Warwick requested a copy of the Division's comprehensive plan.

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

HOUSE FINANCE COMMITTEE

March 6, 1971

10:15 a.m.

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

Dept. of Highways

Mr. Haugen called the meeting to order and asked the Department of Highways personnel the effect on their budget of the Governor's cuts. Mr. Johnson replied the department's approach to the budget this year was different from last year, as instructions were mailed out in June to all districts. The first-line supervisors and department heads worked on their own budgets and submitted them to the districts, who reviewed and questioned. The outcome was the initial budget request was reduced \$531,900 in the Administrative budget and \$3,253,000 in the Maintenance budget. The department has tried to use workload factors and justify the budget by performance and workload standards. Relating the Governor's reductions to the budget is impossible to answer, according to Mr. Johnson, since the general terms are clear but specific items are not detailed yet. Mr. Haugen said he assumed all program increases were deleted, but Mr. Johnson said part of the budget is changed to program receipts to reduce the general fund request. \$200,000 must be earned in program receipts before the allocation from the general fund is made; however, this is just a different way of accounting and actually will have no effect on the

general fund. Mr. Johnson also added that any position not filled during the last nine months has been deleted. The actual reduction in the budget request amounts to \$1,160,000 as the \$200,000 can't be considered a reduction, merely a change in showing program receipts. The Governor reduced the capital improvements budget by \$2 million from the \$5 million requested to buy new equipment. The total cost to replace equipment received from the Bureau of Public Roads would be \$15 million; \$5 million was requested this year and \$5 million next year. Revenues from the earnings of the equipment then replace it when worn out. The fund had no money when the equipment was originally transferred, and essentially it will retain zero depreciation because the equipment is depreciated about \$1-1/2 million each year, then equipment is replaced. Mr. Campbell added they can make no gain in this fund since the prices of equipment go up and the depreciation doesn't cover the inflationary increase. Mr. Johnson said the Department of Highways had finally received approval from the Bureau to depreciate on replacement cost. Governor Egan has reduced the request to zero and Mr. Campbell said this means they will not replace any equipment for which they don't have depreciation money this year. Mr. Haugen asked if the working capital fund is in the form of law and Mr. Johnson said yes, and \$1 million was originally put in the fund. Since then the operation has been accumulating depreciation, but nowhere near the amount necessary to replace junk equipment. Mr. Fink questioned the rental rate and Mr. Johnson said a portion of the rental rate goes toward depreciation and they are accumulating about \$1.6 million per year, all going toward the purchase of new equipment. Mr. Campbell said the construction equipment is becoming so sophisticated that repair and replacement costs are quite high.

Mr. Warwick arrived at the meeting at 10:30 a.m.

Mr. Johnson stated that last year the Senate and House directed the Highway Department to lease automobiles, rather than retain them in a pool. The state contract on automobiles is with Avis, renting at \$9/day and 9¢/mile.

In answer to questions from Mr. Haugen, Mr. Johnson said in effect the Miller administration accepted the budget request as presented, making only two changes. Mr. Johnson distributed copies of the budget request, itemizing increases (see department file), and he read through the increases with a few explanatory comments.

The Highway Training Officer requested in the Commissioner's Office should handle the program of total training, similar to the Training Officer in the Department of Administration. However, the Highway Department personnel often need specialized training, not just clerical training. The committee questioned the addition of this request and Mr. Campbell said it may not be filled. To comply with federal regulations, a position should be listed, but not filled. Travel was increased under the Commissioner's Office due to increased air fares. A per diem increase to \$30 per day from \$21 per day is also reflected in the increase. The inter-agency charges are for the pool cars still maintained at headquarters.

Mr. Haugen asked about the attorneys working on Highway Department problems and Mr. Johnson said about \$275,000 is provided for attorneys working on right-of-way acquisition. Mr. Haugen said there are many complaints in this area and requested more information on it. Mr. Johnson provided caseload figures on "Attorney need for Department of Highways." (Attached.)

Mr. Johnson continued his listing of increases and noted in the Right-of-Way Division there is a transfer of one position from the Engineering budget. The federal government lists this position as administrative; therefore, the position was transferred accordingly. Mr. Fink asked if there is ever a decrease on equipment rental and Mr. Johnson said no, there is a 5-7% increase throughout the entire budget. Mr. Fink said now that there are no longer any pool cars, there should be a resultant decrease and wondered where the figures were offset in the budget. Mr. Johnson said it would be a transfer from the 300 to 900 account, but the budget merely lists summary figures. Mr. Campbell said these figures should be reflected, and Mr. Johnson will provide figures to the finance committee showing the accounting. The Finance Section deletes positions due to the fact it is more economical to contract for data processing, according to Mr. Johnson. In effect, the personal services account has been reduced and the contractual services account increased. Mr. Warwick asked who did the consulting work and Mr. Johnson said there is an adequate supply of consultants, mainly in Anchorage, and Peat, Marwick & Mitchell has been used. Mr. Johnson added that actual experience has shown this to be the most economical way.

Mr. Warwick asked if there was a vacancy factor on seasonal personnel and Mr. Johnson answered this is mainly in the construction section and there has been very low vacancy and turnover in the administrative budget. Mr. Warwick asked if there will be any lapse due to vacancies and Mr. Johnson said some \$260,000 was reduced in the budget last year in vacancy and turnover. Mr. Johnson then listed the positions now

frozen and said these positions are still vacant; and if not filled for nine months, they will be deleted. The funds normally would lapse, but there has already been a \$260,000 cut last year. Mr. Degnan questioned the deleted positions and asked if they must be justified if requested again. Mr. Johnson said yes, if deleted they must be justified, if frozen they may not have to.

Mr. Johnson continued with the budget request and said a position has been transferred to Supply & Services since they are trying to centralise warehousing.

Recess: The meeting recessed at 11:10 a.m. and resumed at 11:20 a.m.

Mr. Johnson continued with the detail of the budget increase in the Central District and said \$231,200 ASHA rental has been deleted from the last budget so the figure listed is not correct. Basically the budget is on a maintenance level. The Interior District is now under one roof in Fairbanks, and the new positions requested are a result of the increased workload. However, due to the Governor's reduction, some of these positions will be cut. Expansion is assumed in the Western District, and, again, the ASHA rental of \$121,900 has been deleted.

In the Southcentral District, the position requested will be eliminated.

Mr. Haugen returned to the question of the cases pending on the right-of-way acquisitions and repeated he has heard many complaints on this subject. Also, the Attorney General's office has requested program receipts to cover attorney's services. Mr. Haugen asked if these attorneys could be budgeted under the Department of Highways and Mr. Campbell said it would be acceptable to have a small nucleus of attorneys in order to supervise the projects on which they are working. However, at the present time any work they do is billed and reimbursed,

and prorated salary and daily time sheets are kept. Mr. Campbell would like to meet with the Attorney General to discuss the problem, since it started in 1960 and should be solved. Mr. Haugen said the finance committee may request another meeting just on this subject. Another problem is the overtime factor in the budget, and Mr. Haugen requested a detail sheet on overtime, including the projects worked on which resulted in overtime. Considerable discussion followed on when overtime should be allowed, which foremen are covered by overtime and which are not, and the problem of now paying time-and-one-half instead of straight time. Mr. Johnson recently wrote a memo explaining the Department of Highway's policy on overtime and Mr. Haugen requested a copy of the memo be provided to the finance committee. The meeting recessed at 11:45 a.m., to resume at 2:00 p.m.

AFTER RECESS
2:10 p.m.

Present: All members with the exception of Messrs. Degnan and Wright. Bruce Campbell, Charles S. Matlock and Thomas A. Johnson from the Department of Highways.

Mr. Haugen called the meeting to order and Mr. Johnson detailed the budget increases in the Maintenance Section. The Anchorage/Fairbanks highway will be open in late 1971, and new equipment is necessary for a temporary camp. Of the \$1.5 million increase, some \$760,000 is attributed to the maintenance station on the new highway, which must remain open. Other sections of the budget will be cut in order to fund this section; and, of the 19 new positions requested in Maintenance, half will be used to maintain this station. Mr. Haugen asked if the existing highway will remain open and Mr. Campbell said yes, this new highway is over and above the existing program.

Mr. Johnson continued with the budget detail, and noted the transfer in the Central District is because of the change in district boundaries. The long-range plans of the state were to expand the Western District based on oil revenue, but there is a problem logistically in getting supplies to this area. Mr. Campbell said he is looking at this problem very closely and there may be substantial changes after he has spent more time with the Highway Department. Mr. Hohman asked to be kept informed of any proposed changes and Mr. Campbell said he would do so.

Mr. Johnson continued with the budget detail and said \$980,000 will be reduced in cycle maintenance, which is a sealing process done every five years. Throughout the budget there are cuts in cycle maintenance, since funds must be used for the expanded program on the Anchorage/Fairbanks highway. Total funds for maintenance were budgeted at \$17,102,000 before the Governor's cut, and they are now down to \$16 million. There has been an increase of \$10 million in four years, noted Mr. Campbell, and Mr. Johnson said this is due to inflation and expansion of highways. Mr. Johnson distributed a chart showing the revenue versus maintenance costs, and costs have exceeded revenue in recent years. (See department file)

Mr. Johnson returned to the budget request and explained the commodities account has increased due to increased demand from the public. He added the department usually requests an additional \$1 million to reallocate to the districts as needed, covering emergency services. In the Interior District, two positions have been transferred to the Western District and eleven positions added, the majority for the

Anchorage/Fairbanks Highway. Mr. Fink requested a map of the various districts and Mr. Johnson and Mr. Matlock showed the committee a map. In the Interior District Mr. Johnson reported \$281,600 has been requested for contractual services; however, again, cycle maintenance will be reduced. The commodities account shows a general increase of \$464,000, which is a one-shot deal of non-recurring costs for the Anchorage/Fairbanks highway. The cost of the road averages about \$300,000 per mile, and it is a two-lane road with 6 to 8 foot shoulders. Discussion followed on various types of roads throughout the nation. Mr. Degan arrived at the meeting at 2:45 p.m.

Mr. Johnson stated the Southeastern District will show some reduction when the revised budget is reviewed. The Western District shows the transfer of positions due to boundary changes, and reflects no added positions. A contractual services increase is due to new trailers for employees in the Western District. In the Southcentral District five AEO I positions were deleted and Mr. Johnson said they left voluntarily, either through retirement or quitting. Mr. Haugen questioned the increase in travel and Mr. Johnson said most of the increase is due to restoring the cuts made last year. Mr. Haugen then questioned the overtime figures and Mr. Johnson will provide more information on overtime, per the earlier request. Mr. Fink asked when the Western District was expanded and Mr. Campbell answered it was last April.

Discussion on budget requests proceeded to the Engineering & Construction section and Mr. Fink asked why there was such a large percentage increase. Mr. Johnson replied actual expenditures

have been budgeted to maintain about 92.7% federal funds for eligible costs. The federal aid has increased from \$42 million to \$53 million, and the state must provide matching funds of approximately 12%.

In addition, there is always something in projects which will not be eligible for federal funds. Mr. Johnson explained the figures on the statistical material provided, and noted although the federal aid is listed in total, it is frozen by quarter and the department cannot obligate more than what is provided. Mr. Johnson said this does not mean they will lose the funds, only that they are frozen until the President lifts the freeze. Mr. Fink continued questioning federal funds and Mr. Johnson said administration and maintenance are 100% state costs. If federal will not reimburse project costs, the state must absorb the entire cost. The state's participation has been as high as 15%, but can be as low as 9%. The larger the project, the lower the state cost. Mr. Johnson continued that another loss of federal funds is through design and plan charges if the road is not built. Also the federal government does not always participate in court costs, and any right-of-way dispute has quite a few costs. The Highway Department is still arguing with the federal government about \$1-1/2 million in disputed charges. Mr. Matlock added there are about 42 basic steps to receive federal funds. Discussion continued on federal funding and state participation, and Mr. Fink requested a list of employees reimbursed by federal funds and not defined in the budget document. Mr. Haugen questioned the five-year program and Mr. Campbell said this program shows the financial year. If a project is tied up in court, it will be funded but not billed. The funds will not remain

idle, but will be spent on another project. Mr. Campbell concluded that his goal is to project a realistic five-year plan, difficult due to the violent changes in the economic climate.

Mr. Fink noted that Mr. Johnson had mentioned a figure of 15% of general fund money going to the Highway Department and asked that this be clarified. Mr. Johnson said historically the Highway Department has received 15% of state revenues, and the last administration anticipated receiving oil revenues which would increase the allotment considerably. Mr. Matlock said this is subject to considerable change, but Alaska does spend considerably less than other states percentage-wise on their highways. Many states run as high as 30-35% for mass transit freeways and interstate highways, working through their own highway programs with less dependency on federal funds.

Mr. Haugen questioned the working capital fund and Mr. Johnson said generally it doesn't require any general fund money, but is all earned from renting equipment. Mr. Johnson added the decrease in maintenance will affect the working capital fund, since use of equipment will decrease and rental fees will drop. The working capital fund is made up of \$6-1/2 million for operation and \$1.6 million for equipment replacement.

Emergency relief funds were discussed and Mr. Johnson said Alaska is eligible for some \$20 million over and above normal federal funds for emergency relief. Mr. Matlock said it takes several years for the federal government to grant the funds, and money is still coming from the Fairbanks flood and the earthquake. The state is moving as fast as they can, but construction contracts can't be let until they get the funds. It will be about six or seven years before the highway is

completed in the Copper River Valley. Mr. Johnson said a special session was called in 1964 and the legislature appropriated \$60 million for emergency relief; however, some of the funds have been lapsed. A request was made to provide an additional copy of the five-year plan for the finance committee staff.

Mr. Fink asked what will occur if income doesn't meet the projection in the working capital fund and Mr. Campbell answered expenses will be cut. The fund has been in existence since 1960-61 and has never been over-spent. Mr. Johnson added in 1969-70 an additional \$500,000 was requested, and was used to replace equipment. He continued that some equipment must be purchased, even if only used occasionally, but they do try to lease or rent whenever possible. The Highway Department is the biggest user of the equipment and pays rent into the fund. Each piece of equipment is scheduled on a computer and rates charged are competitive with industry.

Mr. Fink referred to his letter of February 10 to the Highway Department and the answers provided (see department file). Fuel tax was questioned and Mr. Johnson said Alaska at one time had the highest rates, but other states have increased their rates.

Mr. Haugen asked if there have been any problems on land acquisition due to native land claims and Mr. Matlock said yes, at the Chilkat bridge and some problem at the Copper River Valley. These must be cleared through local native groups and then cleared through Washington. In many areas, the highway is allowed to go through but the ground is still in limbo. Mr. Fink requested a list of where the projects are and what has been delayed due to native land claim problems.

Mr. Fink asked about ownership of the land when Highways was preparing to build a road. Mr. Matlock said they had to get the land before building, and whenever it has an Indian land claim, they can't get right-of-way without approval of the House and Senate Interior Committees. Mr. Matlock added that they are in a morass of paper work concerning problems of right-of-way.

Mr. Hohman inquired about the federally funded engineers in the district offices and where they were listed. Mr. Johnson explained that they were listed in budgets submitted to Highways by the various districts and the only copy he had was the original. He said they had reviewed them and made their cuts but they had no extra copies. Mr. Hohman requested copies for the finance committee.

Mr. Haugen asked Mr. Campbell what he intended doing about the attorney that he wanted assigned to Highways and Mr. Campbell replied that he would discuss this with the Attorney General to see what arrangements could be made.

Adjourned: There being no further questions, the meeting adjourned at 4:00 p.m.

Attorney need for Department of Highways

Eminent Domain Case Backlog

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>Prior</u>	<u>Total</u>
Anchorage	47	50	84	2	15	4	202
Fairbanks	30	14	9		3	17	73
Juneau & Ketchikan	<u>3</u>	<u>5</u>	<u>18</u>	<u>10</u>	<u>5</u>	<u>0</u>	<u>41</u>
	80	69	111	12	23	21	316

In addition, 150 to 200 new actions contemplated this calendar year.

Currently we have \$9,200,000 in all stages of contract claims. At least one full-time attorney needed for this:

3	cases in litigation
6	" scheduled for Claims Board
<u>22</u>	" in earlier stages

31

1969-70 FY budget of Department of Highways provides reimbursement to Department of Law of \$241,600 (7 Attorney's plus 7 clerical positions) only 68% of this was used by Department of Law.

In current FY out of \$275,000 budgeted by Highways, 66% utilization being made to date.

HOUSE FINANCE COMMITTEE

March 6, 1971

11:45 a.m.

Present: All members with the exception of Mr. Wright. Robert Willard, Executive Director, State Commission on Human Rights.

Off. of the Mr. Hohman called the meeting to order and introduced Mr. Willard, who Governor, State Comm. was present to testify on the budget request for the State Commission on Human Rights

Human Rights. Mr. Willard said they originally submitted a budget for \$211,300 and the Miller administration cut it back to \$182,000. The Egan administration has reduced the budget to \$125,000, but the budget review committee agreed to an amended budget in the amount of \$193,000, now held by Warren Wiley in the Office of the Governor. \$23,000 is anticipated to be received from federal funds. Prior to the time Willard Bowman left, a Clerk-typist was hired in Fairbanks, which has not been budgeted. The commission will break even this year, but will not be adequately funded in fiscal year 1971-72. Mr. Hohman asked what effect this will have on the citizens of the state and Mr. Willard said they have received a number of complaints from Southeastern Alaska, but they don't have time or funds to travel and investigate the complaints. Last year the legislature passed a bill authorizing persons to take cases to court, which has helped in speeding the process of resolving the case since only 45 days was allowed to complete the case if the commission intervened. The first case will be started next week in Anchorage; and answering a question from the committee, Mr. Willard said in this particular case it would be more appropriate for the commission to handle rather than go to court. The Office of the

Governor reports the budget will be held to \$125,000; however, the budget review committee said they may approve a delayed hire of the Deputy Director which has been requested. Mr. Willard said this would still require a minimum of \$160,000 for the commission to function. Mr. Hohman questioned the \$30,000 shown as federal funds, and Mr. Willard replied this is for the Alaska State Museum and he didn't know why the figure was included in this budget. Their only source of federal funds is the \$23,000 figure shown. In answer to further questions, Mr. Willard said the commission does studies on cases of discrimination, and 90 complaints have been filed so far this year. Some problems are just due to misunderstandings, and about half are settled by the commission. Mr. Hohman asked why the new position of Clerk-typist in Fairbanks was not included in the budget, but Mr. Willard did not know. Mr. Hohman requested an answer be forwarded to the finance committee. Mr. Hohman also requested a copy of the amended budget be provided to the finance committee. Mr. Willard's employment plans were questioned, and he said he plans to remain with the commission and has requested the Department of Labor to withdraw his name from consideration for a job at that agency.

Recess: The meeting recessed at 12:00 noon.

HOUSE FINANCE COMMITTEE MEETING

March 8, 1971

8:45 a.m.

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

DEPT. OF Commissioner McGinnis; Mr. Jim McClain, Administrative Officer;

HEALTH AND WELFARE Mr. Ben Iverson, Director of the Division of Administrative Services; Mr. Stan Harris, Director of the Division of Public Welfare; and Roger Lang, Comptroller; from the Department of Health and Welfare, were also present. Mr. Walt Norem, Budget and Management, was also present.

Commissioner McGinnis made an opening statement (see pages 370-373).

Mr. Fink asked if the \$2,208,800 cut from this budget is all of the state funded program increases in the Health and Welfare budget. Mr. Lang said this is correct except for the cost of living increases.

Commissioner McGinnis had stated in his presentation that if caseloads continue to increase a supplemental appropriation of an estimated \$6,000,000 will be required to fund programs (these programs are listed on page 372). Mr. Warwick asked why this \$6,000,000 was not in the original budget.

Mr. McClain said the budget was prepared in October. At that time they started new grant payments to the Adult Public Assistance program. He said they had no experience factor on this and it has exceeded what they anticipated. He said now they do have a better fix on the caseload. Mr. McClain said this accounts for the difference between what was in

the budget and the \$6,000,000 figure.

Mr. Degnan asked about vacancy and turnover. He wanted to know where most of the vacancies occur. Mr. McClain said most of the vacancies occur in the professional positions. Mr. Degnan asked if the vacancies were all over the state or are they higher in rural areas. Mr. McClain said there is a higher percentage in the rural areas. He said, for example, it is very difficult to get social workers in Bethel. Mr. Degnan asked how long social workers usually stay in rural areas.

Mr. Harris said they average about a year. He said this is extremely devastating to the program as it takes about 6 months to learn the operation. Mr. Harris said this is one of the reasons they have so much difficulty in payments of various welfare cases. Mr. Degnan asked if when the social workers leave an area the secretary in that office actually takes over. Mr. Harris said this is occasionally true.

Mr. Degnan asked how they are attempting to solve this problem. Mr. Harris said they have requested trailers for Bethel which would help in that particular situation.

Mr. McClain said as far as development of the rural areas there is a social services program where natives are trained to do social work in the village. He said 19 people have gone through this period of training and they are now performing social work functions in the villages. Dr. McGinnis said in terms of a long term answer they are trying to have programs in Alaska where Alaska "would prepare its own".

He gave teachers as an example noting that teachers who prepare in Alaska are much happier in Alaska. He added that they have a good retention for Alaska produced teachers. He felt this would also be true in the field of social work. Dr. McGinnis said that when Alaska begins to produce its own the turnover rate will go down.

Mr. Fink asked about funding for the nurses program and this was briefly discussed.

Mr. Harmon, Coordinator of the Office of Aging, entered the meeting.

Mr. Degnan asked what the practice of the Department is in hiring in local areas. Mr. Iverson said the Governor's policy is to hire Alaskans first. He said they do have an undergraduate program at the University of Alaska for welfare workers. Mr. Iverson said they look to these people for summer employment. Mr. Iverson said the only way they can go outside to hire is when they have advertised, made contacts and then go to the Governor and ask for authority to recruit outside. Mr. Degnan asked how the job descriptions are arrived at and who sets the qualifications. Mr. Iverson said the Department does have a say in this; however, they are under some strict guidelines from the federal government. He said the specifications are coordinated between the federal agency, the Department and the Division of Personnel. Mr. Degnan asked if the Division of Welfare has similar programs to OJT. Mr. Harris said yes. They have the RASS project (Rural Area Social Services). This is the program Mr. McClain

had discussed and Mr. Harris said of the original 19 RASS people all but one individual is still with the Division. Mr. Iverson said that many of their positions are professional positions. He said in other positions they equate education and experience. The Division of Personnel is becoming more and more reasonable and they do use experience and training to equate the requirement.

Mr. Fink said one department had difficulty in hiring due to the rule whereby they must hire from the top three names on the register. Mr. Iverson said this is a problem.

Mr. Fink asked if this would be solved by making it possible to hire from any of the names on the register. Mr. Iverson said he felt this would defeat the purpose of hiring Alaskans.

Mr. Iverson explained the procedure they must go through to hire non-residents. Mr. Fink did not see the difference between having to hire one of the top three or the top twenty -- he felt this spread would not open it up. Mr. Iverson said it is work to work a register but he felt this is an accepted way under the merit system. He felt the principle is there and it is a good one. Mr. Fink said they had also heard testimony that the test concept does not make a lot of sense in professional areas. Mr. Iverson was in complete agreement with this.

Mr. Hohman said that the summary sheet prepared by the Dept. of Administration showing lapsed amount had different figures than the budget document. Dr. McGinnis said they would have the answer to this later in the afternoon.

Mr. Degnan asked what effect the Comprehensive Health Planning Board has on the Department. Dr. McGinnis said this board has quite a substantial impact on the Department. He said this group meets three or four times a year and makes recommendation as to how such funds as Hill-Burton funds should be used. They make their recommendations to the Commissioner of Health and Welfare. Mr. Degnan asked how long it takes to implement the board's recommendations. Dr. McGinnis said sometimes this takes from two or three weeks and cited certain examples.

Mr. Haugen entered the meeting.

Office of the Commissioner Mr. Degnan asked what changes are in the Office of the Commissioner. Dr. McGinnis said they are proposing an additional Deputy Commissioner. Mr. Fink pointed out that this Office reflects an increase. Mr. Degnan wanted to know where the money had been shifted from to provide for the additional Deputy. Dr. McGinnis said there is no large program which was reduced -- this is from 30 or 40 different line items. Dr. McGinnis said he was sure the committee is aware of the scope of activities involved in the Department of Health and Welfare. He spoke on the tremendous amount of paperwork that comes through the Office of the Commissioner. He said they realize that the Division of Environmental Health may be changed this year; however, if this is implemented there are still certain functions which should remain in the Department of Health and Welfare.

Dr. McGinnis spoke on the duties of the new Deputy Commissioner. He said there are several alternatives. This new Deputy might handle only health problems or he might handle only welfare problems. This has still not been decided.

Mr. Warwick questioned the personal services figure in the revised governor's allowances. This figure shows \$195,700 and Mr. Warwick said \$7,100 has been deleted. He ask where they propose to make up this difference. Mr. Iverson said in vacancy and turnover -- delayed recruitment against the Deputy or his secretary. Mr. Lang said he believed the \$7,089 for employee benefits was the discrepancy; however, Mr. Hogan pointed out that these benefits had been added in twice. It was noted that \$195,700 is the correct figure. Mr. Hohman left the meeting.

Dr. McGinnis said this Deputy would increase the services to the people of Alaska.

200: There was a discussion on travel and it was noted that the figure of \$9,800 on the Governor's revised figure for travel should be \$7,800.

Division of Administrative Services Mr. Iverson, Director of Administrative Services, spoke on this division (see pages 374-377). Mr. Fink asked if the time and a half for overtime has resolved any problems. Mr. Iverson said within his division it has solved some problems but also created some. He said he did not feel this has had any great impact on his division except for the fiscal side. Mr. Lang said they had about 40 per cent of the total overtime recovered by the employees

being paid one step lower. Mr. Haugen asked if this made a big difference in their pay. Mr. Iverson said they had run a sample on this - a Nurse I at API total take home difference in pay amounted to about a \$10 net increase for the employee. Mr. Iverson said this lowering was done by the Division of Personnel -- the Department of Health and Welfare would have preferred to leave them at the higher range because of the morale problems this caused.

Mr. Warwick said he had received some calls when this went into effect. Mr. Iverson said they had three correctional officers who registered a complaint. They were actually receiving less money. Mr. Iverson said they had recommended to the Division of Personnel that the leave the employee had effective December 16 be authorized upon termination at the higher range. Mr. Iverson said that he felt in most cases the employees were now making a little bit more money.

Mr. Warwick said that commodities had been decreased and asked which particular line items were involved. Mr. Iverson said this had not yet been determined.

Mr. Degnan pointed out some of the requests in this division are lower than the previous maintenance level.

Office of the Aging Mr. Harmon who is the coordinator of this agency said this office was implemented in April, 1968. He said every state has this type of office and it is the outcome of the Older American Act of 1965.

Mr. Harmon said that \$22,500 which had been deleted under travel is for the White House Conference on Aging. He said

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this really should not have been in this budget in the first place. He felt it could have been in the Governor's budget. He said if the money for this trip is not appropriated Alaska will not have any representatives at the conference. This trip will cost about \$1,000 a person. Mr. Harmon said this funding may possibly be received from the federal government as he had made a "pitch" to them. He said if money is appropriated and is based on population Alaska will get the "short end of the stick".

Mr. Warwick asked what the agency has accomplished. He noted it has been in existence since 1968. Mr. Harmon said the most significant thing is the establishment of eight different Title III projects. Dr. McGinnis said he had occasion to speak at a conference on the aging and he was amazed at the number of people in attendance. He said they had a detailed program on health problems and recreational possibilities for the aging. Mr. Harmon said they have the responsibility of gathering statistics and identifying needs of the older person.

Mr. Warwick asked if the program increase called for expansion in this area. Mr. Harmon said yes, it called for a program specialist.

Mr. Haugen said he realized the value of this program but the State gets into this type of program and then the federal appropriations do not come through.

Mr. Harmon said they had received notice their federal receipts would be cut by \$36,900. Mr. Lang was not aware of this and there was a brief discussion of what this revised figure would be.

hand in anything accomplished in meeting the housing needs in Alaska. Mr. Harmon pointed out that this program of aging is not necessarily for the older poor but for all of the older people.

In answer to Mr. Haugen, Mr. Lang said the Associate Coordinator is not on board but it is an authorized position. Mr. Wright entered the meeting.

Mr. Haugen asked how long this position has been vacant. He referred to the Governor's statement that all positions that had been vacant for nine months would not be filled. Mr. Harmon did not feel this applied in this case due to the lack of progress in getting the position classified.

Mr. McGinnis said their instructions from the Governor had been a "certain freeze providing we work within the cut figure." Mr. Hohman pointed out this position had been vacant four months and did not fall in the category Mr. Haugen had reference to.

Division of Mental Health Dr. Koutsky, Acting Director of the Division of Mental Health, and Mr. Charles McLean, Mental Health Administrator, appeared before the committee. Dr. Koutsky said that as far as the budget cut is concerned they feel they can carry out a maintenance program with the exception of one area. This is the staffing of a ward at the Harborview Memorial Hospital in Valdez. Dr. Koutsky said there is a building that will be constructed this summer with federal funding to establish a school and gym at Harborview. He said the plan was to expand the number of beds and to return

CORRECTION

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

Mr. Degnan asked what this would do to the program and

Mr. Harmon said he had not had a chance to evaluate this.

Mr. Degnan asked what the biggest area of need is in Alaska.

Mr. Harmon said housing is the number one need, income is number 2 and health is number three, in and out of home care is the fourth need. Mr. Harmon said there is no care for the older person in or out of his home. He said the older person does not want to impose on his family and they do not want to go to the Pioneers' Home in Sitka.

Mr. Haugen said perhaps they could provide more service by having one agency dealing directly with the problem instead of all of the administration work.

Recess: The committee recessed at 10:30 a.m.

AFTER RECESS

1:40 p.m.

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

The Department of Health and Welfare representatives included Commissioner McGinnis, Mr. Iverson, Dr. Koutsky, Mr. McLean, Mr. Branton, Mr. Adams, Mr. Harmon, and Mr. McClain.

Chairman Hohman called the meeting to order and said the committee would continue with the discussion of the budget for Health and Welfare.

Mr. Harmon explained he is the only one in the Office of Aging at this time. He said one of the mandates of the State Plan was the creation of the Governor's Committee on Aging.

Mr. Harmon said it has been determined that housing is the biggest need and now they have to identify what kind of housing. Mr. Harmon felt the legislature would have a big

hand in anything accomplished in meeting the housing needs in Alaska. Mr. Harmon pointed out that this program of aging is not necessarily for the older poor but for all of the older people.

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as many patients as possible from Haven Acres (located in Salem, Oregon). Dr. Koutsky said they would be short about 8 nurses and 2 housekeeping positions in Valdez. He said they should go on with the building because if they do not they may lose federal monies. As this present situation stands, they will not be able to transfer as many patients as planned because of the staff shortage. Mr. Haugen asked if the building is 100 per cent federal funds. Mr. McLean said this is under the Mental Retardation Construction program and is 40 per cent federal and 60 per cent state. He said the total cost of the building is about \$450,000. In answer to Mr. Haugen, Dr. Koutsky said they need these 10 positions to support this building. Mr. Haugen asked if the personal services for this would be 100 per cent state and Dr. Koutsky said yes. Dr. Koutsky said in the budget cut the mental retardation area hurt them the most. He said this cut would almost eliminate their ability to offer any support to the Hope Cottage Facility in Anchorage. Mr. Haugen asked the cost of contracting services out at Haven Acres. Dr. Koutsky said this is around \$325 a month and projected to go up to about \$350. Mr. Haugen asked the cost per patient in Alaska. Mr. McLean said it cost about \$900 a month at Valdez. He said this will go down when they get more patients at Valdez. He pointed out to the committee there is a difference in the types of programs. At Valdez they will provide vocational rehabilitation and occupational therapy and this is not provided at Haven Acres. Dr. Koutsky said they will be

able to release some of the patients from Valdez and get them back into the community.

Mr. Wright asked where the building is in the budget. Mr. McLean said this was appropriated two or three years ago under capital improvements. Mr. Wright asked where these 10 positions are and Mr. McLean said on page 390 and 394.

Mr. Wright asked when these cuts were instituted who decided this. Mr. McLean said they were told to cut certain positions that were vacant 9 months or more. Mr. Wright said then this is not a new program. Dr. Koutsky said this would get them down to maintenance level. Mr. Degnan asked when the building is scheduled for completion. Mr. McLean said in November of 1971. This is out for bid now. Mr. Wright asked if they anticipate going to bid even if they do not have the staff. Dr. Koutsky said he thought so because they would lose the federal money if they didn't. Mr. McLean pointed out the staff they are requesting is to operate a rehabilitation building. Mr. Hohman asked if these arguments had been presented to the Governor's Budget Review Committee. Mr. McGinnis said this had been presented some weeks ago but after the budget was cut he did not recall further consultations on this. Mr. Hohman said these positions had been deleted on the basis of the nine months vacancy. He felt their argument would be better placed with the Budget Review Committee. Mr. McGinnis said within the Department there are some very sensitive areas -- the Department is related to many sensitive programs throughout the state. He did not feel there was any inclination within the Department to arbitrarily say one