

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2526

funded within the amount appropriated. Motion carried 4-2.

**State
Operated
Schools
Legislative
Intent**

Mr. Hohman said that under State Operated Schools, legislative intent should indicate that additional funds of \$344,000 to meet the AWEC requirements would be sought from the existing appropriation for State Operated Schools, with no increased cost but funded within the budget. Mr. Fink objected strenuously along with Mr. Haugen. Mr. Ditman requested that a letter of intent include the maintenance and operation funding for the Gakona school. No objection. Mr. Hohman announced they had a substantial budget revision and that it was in the capital projects section and that it upped the budget by \$14,024,426. (See next nine pages.)

Meeting recessed at 4:00 p.m.

MEMORANDUM

State of Alaska

WJ

TO: Mr. Richard W. Freer
Deputy Commissioner
Department of Administration

DATE : April 16, 1971

FROM: ^{HDS} Mr. Harold D. Strandberg
Deputy Commissioner
Department of Public Works

SUBJECT: Federal Funding
Airport Projects

We have been advised by the FAA that the State should receive in Fiscal 1971-1972 a total of \$30,000,000. in federal aid for Aviation facilities.

The additional authorization requested will assure us of having sufficient authorization to program all federal funds which may be allotted to the State.

MEMORANDUM

State of Alaska

TO: Mr. Richard W. Freer
Deputy Commissioner
Department of Administration

FROM: *Handwritten signature*
Mr. George W. Easley
Commissioner
Department of Public Works

DATE : April 16, 1971

SUBJECT: Federal Funding
Airport Projects

Attached are four lists showing the proposed projects in the Airport Capital Improvement Program for which federal funds should be appropriated in House Bill 58. Summary is as follows:

	<u>State</u>	<u>Federal</u>	<u>Total</u>
1970 Airport Bond Funds (See H. B. 219)	\$ 10,000,000.	\$ 10,587,000.	\$ 20,587,000.
International Airport Revenue Fund (See H.B. 58)	387,500.	547,500.	935,000.
Chapter 202, SLA 1970	1,400,000.	807,036.	2,207,036.
Chapter 250, SLA 1970 (Revenue Fund)	1,500,000.	2,540,000.	4,040,000.
Chapter 250, SLA 1970 (General Fund)	1,580,000.	2,785,950.	4,365,950.
1970 Revenue Bond Program	<u>5,576,550.</u>	<u>5,262,450.</u>	<u>10,839,000.</u>
TOTAL	\$ 20,444,050.	\$ 22,529,936.	\$ 42,973,986.

On page 15 of House Bill 58, there is a request for \$1,122,500. of federal program receipts. This amount was intended to fund the International Airport Revenue Fund Capital Program on page 315 of the Budget Document. No federal funds were included to match the \$10,000,000. bond program in House Bill 219, so Commissioner Joseph Henri on March 30, 1971, requested both Finance Committee Chairmen to amend House Bill 58 and add \$7,683,000. to fund the bond program making a total of \$8,505,500. excluding the \$300,000. in House Bill 70 for the Anchorage Maintenance Complex.

It is proposed that an International Airport Revenue Bond Sale will be held for projects that will qualify for federal funds. In addition, some projects shown on pages 314 and 315 of the Budget Document have been deleted due to the decrease in revenue which we are now experiencing. The above changes will require additional federal authorization in House Bill 58 as follows:

April 15, 1971

PROPOSED ALLOCATION OF FUNDS FROM INTERNATIONAL AIRPORT REVENUE FUND

	<u>Revenue Fund</u>	<u>Federal</u>	<u>Total</u>
Anchorage Land Acquisition	\$340,000	\$510,000	\$850,000
Fairbanks Warm Storage Building	37,500	37,500	75,000
Fairbanks Emergency Generator	10,000		10,000
	<u>\$387,500</u>	<u>\$547,500</u>	<u>\$935,000</u>

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April 15, 1971

PROPOSED ALLOCATION OF FUNDS FOR PROJECTS FUNDED IN FY 1970

Chapter 202, SLA 1970

	<u>General Fund</u>	<u>Federal</u>	<u>Total</u>
Bethel Runway	\$1,400,000	\$ 807,036	\$2,207,036

Chapter 250, SLA 1970 (Code 13.70)

	<u>International Revenue Fund</u>	<u>Federal</u>	<u>Total</u>
Fairbanks Land Acquisition	\$1,000,000	\$1,700,000	\$2,700,000
Fairbanks Airport Sealcoat	500,000	840,000	1,340,000
	<u>\$1,500,000</u>	<u>\$2,540,000</u>	<u>\$4,040,000</u>

Chapter 250, SLA 1970 (Code 13.71)

	<u>General Fund</u>	<u>Federal</u>	<u>Total</u>
Cold Bay Apron	\$ 500,000	\$ 600,000	\$1,100,000
Gulkana Runway	300,000	500,000	800,000
Chignik Lake	150,000	250,000	400,000
Scammon Bay	230,000	435,950	665,950
Kake	400,000	1,000,000	1,400,000
	<u>\$1,580,000</u>	<u>\$2,785,950</u>	<u>\$4,365,950</u>

NOTE: The Program Notification for the airport projects in Chapter 250 did not allocate and Federal funding.

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CORRECTION

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

April 15, 1971

PROPOSED ALLOCATION OF FUNDS FOR PROJECTS FUNDED IN FY 1970

Chapter 202. SLA 1970

	<u>General Fund</u>	<u>Federal</u>	<u>Total</u>
Bethel Runway	\$1,400,000	\$ 807,036	\$2,207,036

Chapter 250, SLA 1970 (Code 13.70)

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Fairbanks Land Acquisition	\$1,000,000	\$1,700,000	\$2,700,000
Fairbanks Airport Sealcoat	500,000	840,000	1,340,000
	<u>\$1,500,000</u>	<u>\$2,540,000</u>	<u>\$4,040,000</u>

Chapter 250, SLA 1970 (Code 13.71)

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Cold Bay Apron	\$ 500,000	\$ 600,000	\$1,100,000
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Chignik Lake	150,000	250,000	400,000
Scammon Bay	230,000	435,950	665,950
Kake	400,000	1,000,000	1,400,000
	<u>\$1,580,000</u>	<u>\$2,785,950</u>	<u>\$4,365,950</u>

NOTE: The Program Notification for the airport projects in Chapter 250 did not allocate and Federal funding.

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April 15, 1971

PROPOSED APPLICATION OF FUNDS FROM 1971 INTERNATIONAL AIRPORT REVENUE BOND CONSTRUCTION FUND

	<u>Revenue Bond Fund</u>	<u>Federal</u>	<u>Total</u>
Anchorage North-South Runway	\$1,980,000	\$2,420,000	\$ 4,400,000
Anchorage East-West Taxiway	1,383,300	1,690,700	3,074,000
Anchorage Fire-Rescue Building	90,000		90,000
Fairbanks Taxiway Paving, and Lighting	128,250	156,750	285,000
Anchorage Apron Widening	225,000	275,000	500,000
Anchorage Terminal Expansion	500,000		500,000
Anchorage Air Cargo Taxiway and Road	480,000	720,000	1,200,000
Anchorage Parking	240,000		240,000
Anchorage Sewer and Water	200,000		200,000
Anchorage Lake Hood Taxiway	350,000		350,000
	<u>\$5,576,550</u>	<u>\$5,262,450</u>	<u>\$10,839,000</u>

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4/16/71

PROPOSED APPLICATION OF FUNDS FROM 1970 AIRPORT BOND FUNDS

	<u>1970 Bonds ACF</u>	<u>Federal</u>	<u>Total</u>	<u>Bush</u>
Newtok - Design	15,000	- 0 -	15,000	*
Nunap Itchuk - Kasigluk - construction	200,000	200,000	400,000	*
Teller	40,000	- 0 -	40,000	*
Aniak	600,000	900,000	1,500,000	*
Sand Point	60,000	60,000	120,000	*
Kotzebue - Land Acq. & Obs. Removal	110,000	165,000	275,000	
Petersburg - lighting	40,000	40,000	80,000	
Huslia - stabilize	80,000	- 0 -	80,000	*
Diomede - Investigate possible design	40,000	40,000	80,000	
Sitka - Ext. Rwy.	1,220,000	2,030,000	3,250,000	
Quarters and Maintenance Buildings	250,000	100,000	350,000	
Floats, etc., in Southeastern	147,000	- 0 -	147,000	
Planning and Contingencies	1,620,000	2,210,000 (est)	3,830,000	
	<u>10,000,000</u>	<u>10,587,000</u>	<u>20,587,000</u>	
GRAND TOTAL				

*Bush Airport Program

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PROPOSED APPLICATION OF FUNDS FROM 1970 AIRPORT BOND FUNDS

	<u>1970 Bonds ACF</u>	<u>Federal</u>	<u>Total</u>	<u>Bush</u>
Sitka - Design	150,000	150,000	300,000	
Cold Bay Quarters	160,000	- 0 -	160,000	
Nightmute	180,000	- 0 -	180,000	*
Craig-Klawock	550,000	850,000	1,400,000	*
Kwigillingnok	240,000	- 0 -	240,000	*
Kongiganak	200,000	- 0 -	200,000	*
Napahiak	100,000	- 0 -	100,000	*
Napashiak	100,000	- 0 -	100,000	*
Harding Lake	150,000	150,000	300,000	*
Wales - construction	275,000	- 0 -	275,000	*
Pt. Hope	150,000	150,000	300,000	*
Seldovia - Land Acq. & Ext.	400,000	400,000	800,000	*
Sheldon's Point	100,000	100,000	200,000	*
Nulato - Reconst. & Road	120,000	- 0 -	120,000	*
Clarks Point	40,000	- 0 -	40,000	*
Noatak - stabilize ground	80,000	80,000	160,000	*

PROPOSED APPLICATION OF FUNDS

Dillingham Runway

Hooper Bay

Birchwood - Pave Runway & Apron

Craig-Klawock - Design & Land Acq.

Aniak - Design only

Wales - Design

Pt. Hope - Design

Harding Lake - Design & Land Acq.

Kwigillingnok - Design & Land Acq.

Girdwood

Marshall

Andreafski

Wrangell - Lighting & Maint. Bldg. & Apron Expansion

Shageluk - Reconstruction incl. road

Bettles - Apron construction

Nunapitchuk - Kasigluk - Design & Land

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March 31, 1971 - Revised

S FROM 1970 AIRPORT BOND FUNDS

<u>1970 Bonds AFC</u>	<u>Federal</u>	<u>Total</u>	<u>Bush</u>
1,200,000	1,800,000	3,000,000	
225,000	225,000	450,000	*
80,000	80,000	160,000	
60,000	60,000	120,000	*
40,000	- 0 -	40,000	
10,000	- 0 -	10,000	*
20,000	- 0 -	20,000	*
40,000	40,000	80,000	*
25,000	- 0 -	25,000	*
38,000	57,000	95,000	
60,000	- 0 -	60,000	*
400,000	500,000	900,000	*
180,000	200,000	380,000	
120,000	- 0 -	120,000	*
60,000	- 0 -	60,000	*
25,000	- 0 -	25,000	*

Mr. Richard W. Freer
Deputy Commissioner
Department of Administration

April 16, 1971
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Original Authorization - House Bill 58	\$ 1,122,500.
Additional request to Finance Chairmen	7,683,000.
Less Anchorage Maintenance Complex in House Bill 70	<u>(300,000.)</u>
SUB TOTAL	\$ 8,505,500.
Total Requirement all programs	<u>22,529,936.</u>
Additional authorization needed	\$ 14,024,436.

It is requested that the amount of \$14,024,436. of Federal Program receipts be added to House Bill 58 making a total of \$22,529,936.

Attachments

AFTER RECESS

7:45 p.m.

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

Mr. Hohman called the meeting to order.

COURT
SYSTEM

Mr. Hohman moved and asked unanimous consent that the committee delete the capital improvements projects (approximately \$250,000) from the Court System budget. Mr. Fink objected. He said this was on the budget worksheet but was not added to the total. The committee agreed and deleted the language on the budget worksheet pertaining to capital improvements.

Mr. Degnan entered the meeting.

DEPARTMENT
OF
HIGHWAYS

Mr. Haugen moved the total of \$22,413,300 for the Department of Highways. Mr. Haugen said this is the recommended Governor's allowance. Mr. Ditman objected. Mr. Haugen explained this is the Governor's allowance prior to revision. He said the justification for this is because \$880,000 had been taken out of contractual services which is for cycle maintenance. Mr. Haugen did not feel they could afford to delay this program because it would cost at least \$3,500,000 if they defer it. Mr. Hohman pointed out that \$19,902,500 is the revised figure on the sheet furnished by the Governor. Mr. Haugen explained he had been furnished with additional material by Highways and he said he would agree they could take out \$35,000 for the 9-month vacant positions. He felt it was ridiculous to cut out maintenance. Mr. Haugen moved the total of \$21,228,100. The motion failed 2 to 4. Mr. Haugen moved the total of \$21,252,600 (the recommended figure of the Governor's revised budget). This is \$19,902,500 from the general fund. The motion carried 4 to 2. Mr. Fink explained that he was opposed to cutting highway maintenance. The committee adopted the total of \$21,252,600 for the Dept. of Highways.

Mr. Hohman moved and asked unanimous consent the committee delete in the budget any figure for salary increase pending passage of the salary bill. Mr. Fink objected. The motion carried 4 to 2. Mr. Hohman moved and asked unanimous consent that the committee not include money for security benefits in the bill to cover cost of state employees because the bill has not been passed that would require this expenditure. Mr. Fink objected. Mr. Fink pointed out that the federal law does not require this be effective until January 1. The motion carried 4 to 2.

Mr. Hogan distributed sheet on Vacancy Savings Reduction Factors (see page 774). He explained the first column is vacancy savings year-to-date and the second column is vacancy savings projected. He explained he had related this to personal services budgeted for the current fiscal year and then working in a vacancy reduction factor. He suggested the committee could put this in the appropriation bill and direct the Dept. of Administration when they set the allocations to take a certain percent out of this budget. Mr. Fink pointed out that the chart failed to show any dollar figures. Mr. Hogan said this would depend upon what percentage the committee chose to use. He explained that no one in Administration could assist him in coming up with the personal services that was in the Governor's Revised budget. He said the exact amount will not be known until the Department of Administration makes the allocation. Mr. Ditman asked if they were telling Administration to do what the committee should be doing. Mr. Hogan said they could not do this now and do it right. Mr. Fink asked what kind of percentage the Department of Highways had. Mr. Hogan said he had no basis to judge this because of the

project personnel who do not show up in the budget.

Mr. Fink asked about the 9-month vacant position factor that had been deleted from the budget. Mr. Hogan said this does not pertain to this. He said if they chose 10 percent for an agency and the agency came back and only had a 5 percent vacancy factor, then this would be grounds for a supplemental because the legislature over-estimated. Mr. Hogan felt this approach would spur the administration into getting this report going.

Mr. Fink asked what percentage Mr. Hogan was suggesting be used for Highways. Mr. Hogan suggested they put in a figure comparable with Public Works. Mr. Ditman asked if these vacant positions wouldn't lapse anyway. Mr. Hogan said they do not lapse because agency heads shift the funds to something else. Mr. Hogan said they should write in the law that the Commissioner of Administration shall go ahead and allocate the appropriation to each agency and then remove "x" percentage from the departments. Mr. Ditman asked if this would still leave \$7 or \$8 million laying around for Executive Order 20's. Mr. Hogan said no.

Mr. Hohman asked about the existing vacancy and turnover factor.

Mr. Hogan said the committee had not taken this out.

Mr. Fink felt the 9-month vacant positions were in this amount. Mr. Hogan thought that most departments had reallocated this and if the committee establishes a percentage this will cause Administration "to get on the stick" and get this report. Then the committee will be able to tell conclusively what the vacancy and turnover factor is.

Mr. Fink said there was \$930,000 taken out for vacancies.

Mr. Hogan felt that some of this had been reinstated and that figure was no longer valid. Mr. Fink said the \$930,000 is directly representative, and that the \$930,000 had already been taken out.

Mr. Hogan said they could compare percentages with what they develop as actual experience in the coming year and the legislature could fund a supplemental if necessary.

Mr. Hogan explained that the figures in this sheet had been developed by each department personnel officer after they admitted that the machine run-off was a total failure. He said these figures are correct and he had checked against the budget to see that these are funded positions. Mr. Hogan said that Highways is different -- more than half of their positions are funded out of the federal programs. He said the Dept. of Highways creates a position before they have people to fill the position or funding.

Mr. Ditman asked what would be a realistic figure for Highways.

Mr. Hogan said he felt this should be the same as Public Works.

Mr. Warwick could not see any reason why the 9-month vacancies could not be included in these figures. Mr. Hogan said to some extent they are, but the original total of 9 months is no longer correct.

The committee discussed what percentage should be used. Mr. Fink said the lower the percentage the less likely they will be to come in for a supplemental. Mr. Hogan said, however, if they took a low percentage perhaps they would not be cutting deep enough and this would give the department "money to play around with." Mr. Haugen said he was inclined to go strong and this will bring them into line. He felt by doing this they could get a handle on this factor.

Mr. Hogan said they could take the 12-month factor but set a ceiling at 10 percent. Mr. Hohman said if they take the 12-month factor they are assuming there is nothing peculiar about the year that is shown.

Mr. Hogan felt that they could state that the legislature would entertain or review a supplemental in the instances where it can be

clearly demonstrated that the vacancy factor was too severe. Mr. Hohman suggested using the 12-month vacancy reduction factor and reducing this by 2 per cent as long as it does not go under the 8-month percentage. He said they could also establish a ceiling but Mr. Hogan felt this might be too complex. He said they could use the first column and not let anything go above 10 percent. Mr. Hohman said his objection was to get as much of the surplus as possible but to give the department a cushion. Mr. Fink suggested using 50 percent of the 12-month factor. Mr. Hohman felt they should stay in between the 8-month and 12-month factor. He said if they use 50 percent then they are going contrary to what the analysis indicates. Mr. Haugen said he was inclined to support the work done by Mr. Hogan. He said they would make allowance by writing in the budget to cover any mistake by a supplemental. Mr. Haugen felt if they were going to go to program budgeting this could be a substantial factor. Mr. Fink said if they are trying to save more than \$5,000,000 he felt this would be highly questionable. Mr. Hogan said that everybody has toyed with this idea but he did not think anybody has used this approach. He said this works with salary increase and he did not see why it could not be used here. Mr. Hogan said they would put this in the bill but not physically subtract it. Mr. Fink said then this would not reduce the appropriation by a specific amount. Mr. Hogan said it will not affect the balance at the end of the bill but it will affect it when it goes into effect. Mr. Hogan said they could put in the appropriation bill the table showing the vacancy factors and the following language -- "The Commissioner of Administration shall after the operating budgets have been established reduce each agency's personal services account

by the following percentages. . . ." Mr. Warwick asked Mr. Hogan what percentage he would suggest. Mr. Hogan said they could either take the lower column of percentage (under 10 percent) or establish a flat percentage rate and then next year develop on the actual experience. Mr. Hogan felt they should encourage this type of supplemental because this is the type of supplemental they cannot spend without the legislature's consent. Mr. Haugen said he was inclined to support the idea of using the actual figure for 2/3 of a year and extending it out to 12 months. He suggested they write the bill according to Mr. Hogan's suggestion. He said if they cut too deeply then the department would have a legitimate request for a supplemental. Mr. Hogan said he would work up the figures against the program maintenance level in personal services, using this column and substituting it in place of the Governor's figure and thought they might want to equate it with the suggestion he had made in comparing Highways to Public Works. He did not feel the figure for the Governor's Office was very reliable since this was an election year and there was, of necessity, a large turnover, and he would prefer to use some other department than that one. Mr. Hohman asked for Mr. Hogan's suggestion on a percentage and Mr. Hogan said 10 percent. He reminded the committee that this figure would not be all general fund, so he thought the most this would reduce the general fund would be about \$3,000,000. Mr. Warwick wondered why this would be non-general fund. Mr. Hogan said because of the high number of positions where federal receipts fund a large portion of personal services, e.g., Highways, Employment Security, Health and Welfare, Fish and Game. Mr. Hohman said he would work up something using the lesser of the two columns on 8-month vacancy factor with a jump of 10 percent. Mr. Fink asked why jump, why not use actual figures. Mr. Fink said

the theory is if they use 8 months the figures would have to be reasonably accurate and why give the benefit to the Office of the Governor. Mr. Hogan suggested it would be a highly inaccurate one to use. Mr. Haugen wanted assurance that the machine run would pick this up.

Mr. Hohman moved that they go on the actual percentage on the 8-month with the ceiling at 10. Mr. Hogan asked if the committee accepted the position of equating Highways to Public Works and the committee concurred. He did suggest they equate Office of the Governor to something else, and Mr. Ditman thought it was not right to change the Office of the Governor. He pointed out that Governor answers every four years to the electorate and if they don't like the way he's doing things, he'll know it. Mr. Haugen said he can create positions under Executive Order 20, which he thought was the purpose of this whole thing. Mr. Hogan felt it certainly would go towards discouraging use of the executive order for creating new positions since they wouldn't have the surplus funds in personal services. Mr. Hohman, returning to the subject of the Office of the Governor thought they should be at 8 per cent. Mr. Warwick did not believe the Governor's office should even be considered. He felt they should not present the Governor with the problem of always keeping his positions filled because of this vacancy concept. He then moved that the Office of the Governor not be considered in this and Messrs. Fink and Haugen objected. Motion carried 4-2.

Meeting recessed at 9:30 p.m.

AFTER RECESS
9:45 p.m.

Mr. Hohman moved and asked unanimous consent that the committee use

the concept as described by Mr. Hogan for appropriating federal funds. Mr. Hogan explained that this would change the usual wording in the appropriation bill by adding the following change to Sec. 14 of HB 58: "If federal program receipts or other program receipts fall short of the estimates appropriated by this Act, the governor shall reduce the appropriation by the amount of the short fall in receipts." In Sec. 15, Mr. Hogan suggested adding "and the Legislative Budget and Audit Committee" to the language concerning the adjustments in the appropriations from a working capital fund when necessitated by changes in requirements for services and supplies. In other words, these changes would be reviewed both by the Governor and the Audit Committee. Under Sec. 12 concerning federal program receipts Mr. Hogan suggested deleting the section appropriating the excess federal receipts, along with several other changes (see the last page of CSHB 58 for complete change.

Mr. Warwick feared this would give the audit committee a great deal of power and Mr. Hogan said no, because very rarely is this power used. This would save the legislators from facing new programs each year that had already been started by the Governor. Now they would have to be reviewed by the legislative committee. That way the legislature would have the "input" right at the beginning of a program instead of being faced with it when they return each year. As it is now the federal receipts go right into the program without any review by the legislature, through the use of Executive Order 20. Mr. Haugen cited the criminal justice program as a prime example and also the food stamp program as ones the legislature found out they were involved in after the fact. Mr. Warwick was still reluctant to give an interim committee such veto power. Mr. Hohman said if they

don't get approval from the Audit Committee the program would be effectively vetoed. Mr. Warwick reminded those members who wanted HOUSE BILL NO. 14 (creating the Legislative Budget and Audit Committee) that this was the very reason why Mr. Bradner opposed having three members from each Finance Committee on the committee because of the interim power. Mr. Hogan said it was the legislature's only way to handle federal funds that come in during the year. The Governor, as it stands now, has his own appropriation power. Many state legislatures are concerned that if they are not in on the beginning of a program they don't have the input on federal programs within their state.

Mr. Fink felt that if the legislature is to have any say between sessions, they must give someone the authority. Mr. Hohman suggested writing it in and then voting on it after they can see it in writing.

Mr. Hogan asked for permission to insert the new language to cut back spending if the federal funds are not forthcoming. The committee agreed that they all wanted that language inserted in Sec. 14. Mr. Hohman asked if anyone wanted to open up any other budgets. Messrs. Fink and Ditman wanted to go back to Natural Resources.

Mr. Hohman moved and asked unanimous consent that the committee discuss the Department of Natural Resources budget. No objection, so ordered.

Dept. of
Natural
Resources

Land

Management Mr. Ditman moved and asked unanimous consent that \$20,000 be put into Dept. of Natural Resources, Land Management for the Kenny Lake Soil Conservation District; in Code 300. No objection. The new total is \$2,202,800.

Division

of Parks Mr. Warwick moved and asked unanimous consent that the Division of Parks be restored to the Governor's revised allowance. Mr. Degnan objected, then removed his objection. Mr. Warwick said it had been set at maintenance level and a good portion of this is for maintenance and operation for parks. No objection, so the new figure is \$864,500 (original figure had been \$733,700).

Small
Grain

Mr. Warwick moved and asked unanimous consent that Small Grain Incentive be increased from \$40,000 to \$80,000.

Objection was heard from everyone so Mr. Warwick reluctantly withdrew his motion.

Agricultural
Loan Fund

Mr. Fink moved and asked unanimous consent to decrease Capitalization the Agricultural Loan Fund capitalization to -0-.

He pointed out they already had over \$2 million and thought they could get by without it. Mr. Ditman objected. Mr. Warwick said they sold some bad papers and they owe this money. The motion failed 2 to 4.

DEPT. OF COMMERCE
Insurance

Mr. Fink said that the Insurance section had got caught up in that vacancy and turnover and he moved and asked unanimous consent that this section be returned to the 1970-71 authorized level of \$220,100. Mr. Hohman objected and added that he would like to support him but it goes against the Governor's recommended allowance. Mr. Fink said then that no one would be audited this year and there was no room to hire anyone. The motion failed 2 to 4.

Capital

Improvements Mr. Hohman moved and asked unanimous consent that the following capital improvement projects be adopted by the committee:

Office of the Governor		
Alaska State Museum		
Totem pole restoration project,		
City of Ketchikan	146,000	
Saxman Park	10,000	
Hydaburg	15,000	
Klawock	20,000	
Total, Office of the Governor		\$ 191,000
Department of Administration		
St. Michael's Cathedral Fund, Sitka	50,000	
Urban Renewal Project, North Star		
Borough	270,000	
Total, Department of Administration		320,000
Department of Education		
Nenana High School, multipurpose		
facility	850,000	
Nome Elementary School, addition	1,553,000	
Total, Department of Education		2,403,000
Department of Health and Welfare		
Recreational Camp, Harborview		
Hospital, Valdez	40,000	
Alaska Treatment Center for		
Crippled Children and Adults,		
Hospital facility, Anchorage	150,000	
Total, Department of Health and Welfare		190,000
Department of Natural Resources		
Haines State Fair Building	50,000	
Total, Department of Natural Resources		50,000
Department of Public Works		
Municipal, civic center and		
community recreation center		
planning (HOUSE BILL 119)	200,000	
International Trunk and Secondary		
Airport Projects	25,219,400	

State building Projects:
 Site improvements and Land
 Acquisition 600,000
 Renovation of Attorney General's
 Offices 230,000

Sub-total State Building Projects 830,000

Waters and Harbors Projects
 Nome Dredging 2,500
 Metlakatla Harbor Facility 40,000
 Kake Harbor Facility 150,000
 Kenai Harbor Facility 90,000
 Tenakee Harbor Facility 60,000
 Kasaan Harbor Facility 30,000
 Anchorage Harbor Facility 25,000

Port Alexander Facility 75,000
 Wrangell Harbor Facility 115,000
 Hollis-Craig Facility 64,900
 Emergency Repairs 30,000
 Administration and General
 Engineering 120,000

Sub-total, Water and Harbor
 Projects 802,400

Total, Department of Public Works 27,051,800

TOTAL, CAPITAL BUDGET \$30,205,800

Mr. Fink asked about the court budget. Mr. Hohman said they could move these figures with the thought in mind that the court people are meeting now and they will get definition of need and direction on funding like HB 391 (appropriating \$100,000 to Department of Administration for space study on court system facilities). He said all of this is supposed to be done over the weekend and he imagined they could develop this and then the committee could amend in Free Conference.

Mr. Hohman repeated his motion for adoption of the Capital Improvements budget. The motion carried 4 to 2.

Mr. Fink moved and asked unanimous consent for \$75,000 for Highways headquarters and building in Moose Pass. Mr. Hohman said he understood the cost was \$227,000; however, Mr. Fink said that he

understood the cost was \$227,000; however, Mr. Fink said that he had been told by Mr. Specking it could be done for \$175,000.

Mr. Hohman objected and the motion failed 2 to 4.

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

V A C A N C Y S A V I N G S R E D U C T I O N F A C T O R S

ADMINISTRATIVE AGENCIES - FY 1970-71

<u>Department</u>	<u>Vacancy Savings Year-to-Date</u>	<u>Vacancy Savings Projected</u>	<u>Personal Services Budget 1970-71</u>	<u>Vacancy Savings Reduction Factor</u>
Administration	\$ 105,059	\$ 157,588	\$ 4,218,200	2.49 -- 3.74%
Commerce	139,318	208,977	1,767,400	7.88 -- 11.82%
Economic Development	72,952	109,428	622,900	11.71 -- 17.57%
Education	436,117	654,176	6,424,490	6.79 -- 10.18%
Fish & Game	230,585	345,877	6,268,200	3.68 -- 5.52%
Governor's Office	237,605	356,407	1,876,200	12.66 -- 19.00%
Health & Welfare	1,113,349	1,670,023	14,396,900	7.73 -- 11.60%
Highways	2,938,730	4,408,094	8,244,500	— —
Labor	225,837	338,755	4,375,300	5.16 -- 7.74%
Law	142,903	214,355	1,774,600	8.05 -- 12.08%
Military Affairs	34,493	51,740	903,100	3.82 -- 5.73%
Natural Resources	155,141	232,712	2,805,300	5.53 -- 8.30%
Public Safety	114,766	172,150	3,972,100	2.89 -- 4.33%
Public Works <u>1/</u>	428,579	642,868	7,861,700	5.45 -- 8.18%
Revenue	39,519	59,278	1,994,700	1.98 -- 2.97%

1/ \$14,116,800 less \$6,255,100 for Ferry System unclassified personnel.

-774-

4/16/71

HOUSE FINANCE COMMITTEE

April 17, 1971

4:15 p.m.

Present: All members except Mr. Wright.

Legislature Mr. Hohman moved and asked unanimous consent that the Legislative Affairs Budget be increased by \$102,000 for Legislative Council to fund the Pipeline Impact Committee. Mr. Fink objected. Motion carried 4-2.

Highways
Working
Capital
Fund

Mr. Hohman moved and asked unanimous consent that the committee appropriate to the equipment operation and maintenance fund in the Department of Highways from the Equipment Working Capital fund for \$8,093,000 as the Governor had requested. Mr. Hohman said this comes out of working capital fund and gives the authorization to spend the funds. No objection so ordered.

Dept. of
Public
Works
Capital
Improvement
Projects
Int'l Trunk
etc.

Mr. Hohman moved and asked unanimous consent that the federal funds for the International Trunk and Secondary Airports Project be included in capital projects in the sum of \$25,419,400, as per the memo written to Mr. Freer from Mr. Strandberg. Mr. Haugen wanted to know if that was in addition to what they had already done.

Mr. Hogan said that was the total. Mr. Haugen questioned when Mr. Hogan found out about it and Mr. Hogan said yesterday.

Mr. Haugen asked if Public Works just recently received the funds or if they forgot to put it in, but no one seemed to know. Mr.

Hohman moved and asked unanimous consent that the committee also

Secondary
Airport
Mainten.

adopt \$317,500 for the total secondary airport maintenance with a subtotal of \$25,736,900 for these two items. No objection.

Mr. Haugen again asked about the timing on these federal funds and Mr. Ditman said the letter explained that it was just allocated.

Mr. Hogan said a large part of the additional revisions are due to

HOUSE BILL 219 (appropriating full proceeds of go bonds authorized by the voters) since none of these were appropriated before. With the passing of HB 219, these funds can be matched. If they don't grant the authorization the construction would be all by state funds. They have taken the action to authorize bond issues which in turn will make the state eligible for these funds.

Mr. Haugen wanted to know why they took out the line item last year and didn't lapse the money. Mr. Hogan did not know. Mr. Haugen said he was referring specifically to the \$400,000 for the Kake Airport and they were to get federal funds and now they have decided they are not going to do it. They couldn't get federal funds for the projects according to Public Works but Mr. Haugen assured the committee that Public Works would be hearing about it and probably in the newspaper.

Mr. Hohman moved and asked unanimous consent that the earlier suggestions on vacancy factor be included in the budget bill which would then be Sec. 11(a) (see page 777). Mr. Hogan asked for a clarification on whether the committee wanted to make the vacancy factor apply to all departments with exception of Marine Transportation in Department of Public Works. The administrative people in that division would be included but those positions governed by the various unions would not. The committee agreed to this. Mr. Hohman also asked that his motion include Secs. 12, 13, 14, 15, 16 and 17. No objection so ordered.

Mr. Hohman asked if the scholarship effective date would work out. Mr. Hogan said no and suggested that language be put in during Free Conference on the appropriation bill.

* Sec. 11. (a) Prior to the actual allocation of appropriations made by this Act, the Commissioner of Administration shall reduce the appropriated personal services category for agencies of the Executive Department according to the following schedule of vacant position reduction factors:

	<u>Vacant Positions Reduction Factor</u>	<u>Fudget Program Maintenance Level Personal Services</u>	<u>Approximate Vacancy Savings All Funds</u>
Administration	2.49%	4,920,400	122,518
Law	8.05%	2,184,500	175,852
Revenue	1.98%	2,290,800	45,358
Education	6.79%	4,355,400	295,732
State Operated Schools- District Office	6.79%	701,700	47,645
Health & Welfare	7.73%	18,297,100	1,414,366
Labor	5.16%	5,131,000	264,760
Commerce	7.88%	2,077,500	163,707
Military Affairs	3.82%	1,029,200	39,315
Public Safety	2.89%	5,635,400	162,863
Natural Resources	5.53%	3,311,300	183,115
Fish and Game	3.68%	8,146,200	299,780
Economic Development	10.00%	703,200	70,320
Public Works	5.45%		
Highways	5.45%	<u>9,610,000</u>	<u>523,745</u>
		68,393,700	3,809,076

Mr. Hogan asked about sec. (b) in Section 11 which would explain that the departments could come in with a supplemental if the personal services proved to be decreased too much. The committee amended the above motion to include sec. 11 (b).

Mr. Haugen asked about the highway fund appropriation, and wanted to know if it included the additional \$20 million or so federal funds which he said \$9 million was for contracts for two small ferries and facilities. Mr. Hogan did not know if it was in there.

Mr. Fink said if it isn't, it should be covered by the final sections of the budget bill. Mr. Hogan felt that Tom Johnson in Highways would see, once the bill was out, whether or not there were any problems in the funding. Mr. Hogan added that if there were any problems with the gas tax being overestimated, they could come up with a better figure in Free Conference.

Recessed at 4:40 p.m.

AFTER RECESS
9:30 p.m.

Mr. Hohman referred to page 315 of the Budget Document book where \$500,000 was requested for the Anchorage Maintenance Complex (\$300,000 federal funds and \$200,000 in International Airport Revenue funds). He said they had included this in their final close-out for Public Works and it should be decreased by that amount since this was already funded in HOUSE BILL NO. 70. The committee had a long discussion in an attempt to straighten out the funding for the airport projects and the center of the problem was the fact the committee had been informed that the original figure they had moved earlier (\$25,736,900) was all federal funds. A letter received on the 16th of April from Public Works stated these were federal funds that needed to be included in the budget.

Public
Works
Capital
Improve-
ments

However, after the committee reworked these figures, the following is the correct funding:

\$22,529,900 -- federal funds which includes \$822,500
for projects listed on page 315.

2,689,500 -- International Airport Revenue Fund

\$25,219,400

Mr. Hohman moved and asked unanimous consent that \$25,219,400
be adopted for Airports. No objection so ordered.

Meeting adjourned at 10:30 p.m.

HOUSE FINANCE COMMITTEE

April 18, 1971

8:30 a.m.

Present: All members present except Mr. Wright.

Capital
Improvements
Department
of
Highways

Mr. Hohman moved and asked unanimous consent that the committee accept \$40,000,000 for additional funds for the Highways and Ferry aid program (recently approved by Congress). Mr. Hohman included in the motion the original \$51,500,000 that was in the Governor's budget (see page 323 budget document) so the total for Department of Highways, Capital Improvements would be \$91,500,000. No objection so ordered.

Debt
Service

Mr. Hohman moved and asked unanimous consent that the committee adopt the following figures for debt service:

General Obligation Bonds	--	\$19,600,000
Revenue Bonds	--	<u>1,710,000</u>
		\$21,310,000

No objection so ordered. (See page 281 of Budget Document for original figures.)

Shared
Taxes &
Revenue

Mr. Hohman moved and asked unanimous consent for the adoption of \$5,831,500 for shared taxes and revenue. (See page 293 of Budget document.) No objection so ordered.

Highways
Working
Capital

Mr. Hohman moved and asked unanimous consent for the adoption of \$8,093,000 for the working capital fund for Department of Highways. He made note of the fact that the working capital fund for Fish and Game had been removed by SB 157 (abolishing the Fish and Game working capital fund). No objection so ordered. (See pages 325-331 of the Budget Document.)

Meeting adjourned at 9 a.m.

HOUSE FINANCE COMMITTEE

April 19, 1971

9:15 a.m.

Present: All members.

CS HB 58 Mr. Hohman called the meeting to order and moved and asked unanimous consent to pass COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 58 (An Act appropriating for the operating and capital expenses of all departments, offices and agencies of state government) from committee with individual recommendations. Mr. Fink asked if amendments were in order, but then decided to amend the bill on the floor. The vote was taken, with four members recommending "do pass," two members voting "no recommendation," and one member voting "do not pass."

Recess: The meeting recessed at 9:25 a.m.

HOUSE FINANCE COMMITTEE
April 20, 1971
9:15 a.m.

Present: All members with the exception of Messrs. Ditman and Haugen.

Dept. of Natural Resources Mr. Hohman called the meeting to order and noted a letter received from the Department of Administration (attached). The letter is a request for an additional \$190,000 for the Department of Natural Resources to bring the Small Grain Incentive program up to \$80,000 and the Loan Fund Capitalization to \$300,000. A letter was sent to the Governor's office on March 19, but this is the first notice received by the finance committee.

Recess: The meeting recessed at 9:20 a.m. for a bill session.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C -- BUREAU 99301

*March 1971 - never
approved until now.
This is our 1st notice
WILLIAM A. EGAN, GOVERNOR
per Dick F. Reed
4/19*

19 April 1971

Honorable John Butrovich
Chairman, Senate Finance Committee
State Capitol
Juneau, Alaska 99801

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

Gentlemen:

Re: Additional \$190,000, Department of Natural
Resources, Division of Agriculture

During the Executive Budget Review, the Committee voted to delete from the prior administration's budget, the sum of \$40,000 from the Small Grain Incentive Program and \$150,000 from the Loan Fund Capitalization Program, Division of Agriculture, Department of Natural Resources. The ground for these deletions was lack of activity in the programs in prior years. The Committee supposed that there would be no requirement for the extra funding. It has now come to our attention, however, that there is a need for the full funding of both programs, and we, therefore, endorse them at the following level:

Small Grain Incentive	\$ 80,000
Loan Fund Capitalization	\$300,000

The full funding of both items will contribute to Alaska's sorely needed economic development.

Sincerely yours,

Joseph R. Henri

JOSEPH R. HENRI
Commissioner

JRH/kh

-783-

4/20/71

AFTER RECESS
1:40 p.m.

Present: All members.

Chairman Hohman called the meeting to order. He moved and asked unanimous consent that the committee consider an amendment HB 159 to House Bill No. 159 (an Act extending employment security coverage to employees of the state). This bill had been reported out in the 4/20/71 9:00 a.m. meeting. Mr. Warwick proposed an amendment that would change all the dates by six months:

Page 3, line 1: Delete April 1, 1970 and insert in lieu thereof:
October 1, 1970

line 29: delete June 30, 1971 and insert in lieu thereof:
December 31, 1971

Page 4, line 1: Delete July 1, 1971, and insert in lieu thereof:
January 1, 1972

line 4: Delete June 30, 1971 and insert in lieu thereof:
December 31, 1971

line 5: Delete July 1, 1971 and insert thereof:
January 1, 1972

Mr. Hohman moved and asked unanimous consent this amendment be passed.
No objection.

CSHB 58 Mr. Hohman moved and asked unanimous consent that the committee consider amendments to be introduced as finance committee amendments on the floor at the time the House considers Committee Substitute for House Bill No. 58 (budget).

Mr. Hohman explained the first amendment is on page 6, line 24. This is following the words "Community Colleges" delete \$550,000

and insert in lieu thereof: \$1,000,000 (Adjust all funding and figures accordingly). Mr. Hohman moved and asked unanimous consent amendment #1 be adopted. No objection, so ordered.

HB 106 Mr. Hohman moved and asked unanimous consent that House Bill No. 106 (relating to compensation for State employees) be brought up for discussion. No objection. Mr. Hohman moved and asked unanimous consent that the committee adopt the amendment by the State Affairs Committee and that House Bill No. 106 as amended by State Affairs be passed from committee with a do pass recommendation. Mr. Fink objected. The motion carried 5 to 2.

CSHB 58 Mr. Hohman moved and asked unanimous consent that amendment #2 for Committee Substitute for House Bill No. 58 be adopted. The amendment included the salary increase for \$6,793,100 and also funding for House Bill No. 159 which is \$350,000 for six months. Mr. Fink asked for a division of the amendment. The committee decided to show this as two separate amendments. Mr. Hohman moved and asked unanimous consent that amendment #2 for Committee Substitute for House Bill No. 58 be adopted. (The amendment showed only the salary increase for \$6,793,100.) Mr. Fink objected. The motion carried 5 to 2.

Mr. Hohman moved and asked unanimous consent that amendment #3 be adopted. (The amendment was to cover costs of state employees coverage under Employment Security Benefits, for \$350,000.) No objection.

Adjournment: The meeting adjourned at 2:00 p.m.

HOUSE FINANCE COMMITTEE

4:45 p.m.

Att. of Present: All members except Mr. Haugen. Mr. Junior Ramos, Governor

Director, state OEO was also present.

Loc. Affrs.
OEO

Mr. Hohman questioned Mr. Ramos about the \$191,000 federal OEO funds that were expected in the Office of the Governor for Local Affairs Mr. Ditman remarked that as far as he could determine, they expected it but as yet had not received it.

Mr. Hohman asked Mr. Ramos what kind of money he was expecting this year and Mr. Ramos replied that they had several sources but did not indicate what they were.

Mr. Hohman asked if he intended to create any additional positions with that money and specifically in the Lower Yukon-Kuskokwin area. Mr. Ramos told him that he did not expect to have any additional positions. Mr. Hohman then asked if Planning and Research planned to put in positions and Mr. Ramos didn't know.

In reply to another question, he said he was located in the Juneau office; however, most of his staff was in Anchorage.

Mr. Hohman requested staff to find out about the \$191,000, and if this is for the OEO office.

Meeting adjourned at 5:00 p.m.

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HOUSE FINANCE COMMITTEE

January 11, 1972

11:20 a.m.

Present: Representatives Hohman, Warwick, Haugen, Fink, Ditman, Wright and Degnan.

Chairman Hohman called the meeting to order and the committee discussed procedures for meetings. The House of Representatives plans to have sessions on bills on Mondays, Wednesdays and Fridays and Mr. Hohman requested that committee members be furnished copies of the calendar and bills on the calendar on these days. He added that Tuesdays and Thursdays would be reserved for committee work.

Mr. Hogan distributed copies of letters prepared by the staff. The letter dated January 5, 1972 pertained to the "maintenance level" of the budget and Mr. Hogan briefly explained this. The second letter was on the organization of the finance committees staff.

The committee discussed inflationary increase. Mr. Hogan explained that when the budget manual went to print in May it was based upon the assumption that a 5.5% increase would be a continuing rate. He added that the federal government is making an attempt to "crack down" on this increase and perhaps the legislature might want to look at a figure less than the 5.5% inflationary increase.

The committee briefly discussed the program budgeting concept.

Mr. Haugen felt that reclassifications was an area in personal services that should be checked into.

Mr. Hohman announced a Joint House and Senate Finance Committee meeting for revenue projections to be held on Tuesday and Wednesday (January 18 and 19) at 1:30 p.m. in the Governor's Conference Room.

Adjournment: The meeting adjourned at 12:05 p.m.

AFTER RECESS

1:05 p.m.

Present: Representatives Hohman, Fink, Warwick and Haugen. From the Department of Labor Mr. Paul Choquet and Mr. Boyd Karrer, Program Coordinator, were also present. Speaker of the House Gene Guess and Representatives Swanson and Moore were also in attendance.

Chairman Hohman called the meeting to order and announced that the committee would hear testimony on the Emergency Employment Act, Public Employees Program.

Mr. Hohman said that there are positions that are currently funded by PEP for Bethel Broadcasting Corp. and they would like to continue funding those positions from that source. Mr. Karrer asked if Bethel Broadcasting is a non-profit corporation and Mr. Hohman said yes. Mr. Karrer asked what the Bethel Broadcasting's association is with the City of Bethel. Mr. Hohman explained that the state monies are routed through the City and it is an administrative overseer.

Mr. Karrer asked if it would be correct to say that the Bethel Broadcasting is not owned by the city or state and Mr. Hohman said this was right. Mr. Karrer said that under those circumstances they cannot qualify for PEP funds. He added that since Bethel Broadcasting is not owned by the state or local government it cannot by terms of the federal act qualify for federal funds. He said that the money expended for PEP positions and utilized by Bethel Broadcasting would have to be repaid in order to provide that the funds be utilized properly.

Mr. Hohman asked if there was any way to fund these positions under the PEP program. Mr. Karrer said there were no exceptions made by the federal government. He said the only thing he could suggest was to utilize similar funds under revenue sharing.

Mr. Hohman said he had received information on this in August and requested that he receive a current set of guidelines.

Mr. Hohman said it was his understanding that Section VI dealt with an appropriation of \$250,000,000 which could be utilized by native tribes and organizations.

Mr. Karrer said that the federal government only recognizes three tribes in Alaska. He said that Metlakatla was one of the areas recognized but under questioning he did not know the names of the remaining two tribes.

Mr. Hohman requested additional information on Section VI.

Mr. Hohman said that Bethel Broadcasting is serving as a public information and education agency for the entire area. He asked if a public information officer with the City of Bethel could work in the radio station and qualify for funding. Mr. Karrer said no, because the radio station is not owned by the state or local government. In order to qualify for the funds, the person employed must work in a state or local owned facility, he added. Mr. Karrer said he felt there must be some funding that would meet the needs Mr. Hohman referred to and added that PEP has many strings and controls attached. Mr. Hohman asked if a public information officer is a legitimate position under this program. Mr. Karrer said that anything would be legitimate except for a number of professional positions but it would not be legitimate on the Bethel Broadcasting site. Mr. Karrer said he did not want to get into something where they would create an audit situation and he would rather try to find some other source of funding to meet the needs for Bethel. Mr. Karrer added that he would talk to Mr. Mortenson who is the liaison officer between the federal government and Alaska and get his opinion on the matter.

Mr. Hohman said that one of the functions of the program is to retrain. Mr. Karrer said no, this is an employment program for unemployed people and then they can go into the area of the underemployed.

Mr. Guess questioned how this is handled if there is no local government unit. Mr. Karrer said that in the unorganized area this is being handled by the Dept. of Public Works, Division of Aviation. He said the Dept. of Highways is doing the same thing. He said the jobs handled by the Dept. of Highways have to be under Section V funds. He added that the benefit is going to the unemployed in the bush area. Mr. Guess asked if these jobs were reimbursed under the employment act and Mr. Karrer said yes.

In answer to Mr. Guess, Mr. Karrer said that Senator Stevens tried to get \$1,000,000 set aside specifically for Indian groups but to the best of his knowledge the only area

that received funds was Metlakatla. Mr. Guess said that in Alaska they have never split down to tribes but always used natives as an overall encompassing word. Mr. Karrer said that under the employment act the AFN and ANB cannot qualify. Discussion followed on this.

Adjournment:

Mr. Hohman requested that information on Sections V and VI be sent to him and the meeting adjourned at 1:35 p.m.

JOINT MEETING
SENATE AND HOUSE FINANCE COMMITTEES
January 18, 1972
1:45 P.M.

resent: Members of the Senate and House Finance Committees; R. D. Stevenson, Deputy Commissioner, Department of Revenue; William B. (Skip) Shaw, Jr. Portfolio Manager, Bank of America; J. Daugherty, Director of Treasury; Lawrence Eppenbach; Paul G. Sullivan; Dick Alexander; Robert Gates; State Investment Officers, Department of Revenue; Richard W. Freer, Deputy Commissioner; Myrton R. Charney, Director, Division of Budget & Management, Department of Administration; and interested members of the Senate and House.

Mr. Hohman called the meeting to order and introduced the members of the House Finance Committee; Senator Butrovich introduced the members of the Senate Finance Committee.

REVENUES

Mr. Stevenson introduced the gentlemen present to testify and noted Mr. Eric Wohlforth, Commissioner, Department of Revenue, was absent due to illness. Mr. Stevenson distributed a package containing a portfolio from the Bank of America and documents prepared by the Department of Revenue, updated to December 31, and briefly described the contents. (See department file.)

The Bank of America prepared two booklets, and Mr. Shaw explained that the red book covered activities of proceeds from the North Slope oil sale, excluding about \$10 million which was recently sent to four Alaskan banks, and the blue book covered activities with respect to assets solely under Bank of America control. Mr. Shaw explained the information presented in the red book page by page, with the following additional comments:

Page 4 - Composition of Investment Holdings - The Weighted Average Yield to Maturity Total figure of 5.99% applies only to the purchase price of securities, and does not cover entire earnings such as capital gains. The investment agency has realized a return of 10.2% during the period from December, 1970, to December, 1971. Senator Butrovich asked how this corresponded to the figure at the end of 1970 and Mr. Shaw replied it was higher in 1970 than in 1971, and would give a recap of developments later.

Page 5 - Appraisal as of December 31, 1971 - Senator Rettig noted the market above cost figure is approximately \$3 million over November, and Mr. Shaw said it was actually a net improvement of about \$4 million. He continued, saying the market value column exceeded the scheduled value by about \$3 million from the November report.

Page 6 - Appraisal of Principal of Marketable Holdings as of December 31, 1971 - Chart is incorrect, and a corrected copy will be sent.

Mr. Warwick asked when securities were sold and capital gains realized and Mr. Shaw replied it was a continuing process, in anticipation of cyclical rises. In answer to further questions from Mr. Warwick, Mr. Shaw explained that interest rates have declined in all months since mid-August, except for November when a slight rise occurred. The near term of the market should be based almost entirely on the policies the Federal Reserve pursues. In 1972 interest rates should climb again, the economy will start rolling, and the Federal Reserve will have to start restricting its policy. It is difficult to forecast accurately due to the political situation, since politics plays an important part in economic developments. In the second half of 1972 interest rates should begin to pick up, rekindling inflationary fears.

Mr. Shaw stated that during December \$20 million was transferred to the state for operating expenditures. Since December 31, \$10 million has been transferred to four Alaskan banks:

- \$3 million to National Bank of Alaska;
- \$4 million to First National of Anchorage;
- \$2 million to Alaska National of Fairbanks;
- \$1 million to Peoples National Bank & Trust Company.

(This transfer is not reflected in the statement from the Bank of America.)

Senator Rettig questioned the wide fluctuation in interest received during the year and Mr. Shaw replied that 40% of the investments in the account are in treasury securities. The coupons fall due on four months during the year, causing interest amounts to be higher in those months. Mr. Warwick said this was not always the case, and Mr. Shaw agreed that since the figures include earnings of other securities there may be exceptions. However, on balance, the highest earning months are February, May, August and November. Mr. Fink added that when a security is sold, the interest would be payable ahead of schedule, adding to the imbalance.

Discussion followed about the North Slope oil account and Mr. Stevenson pointed out that the state has dipped into the principal in the amount of \$83 million. Mr. Shaw noted the cash transaction record reflects all activity in the fund on a daily basis, and the clearing balance is always below \$100,000 in order to keep the fund fully invested at all times.

Mr. Shaw then explained the material covered in the blue book, page by page, listing titles of charts and figures. He noted the state has recently invested in Certificates of Deposit, issued by a bank and subsequently sold into the market place, due to the attractiveness

of yield. Senator Rettig asked what standards are set and Mr. Shaw replied they will not invest in any security CD unless the bank has a surplus in excess of \$20 million. Mr. Stevenson said the Department of Revenue purchased last October \$44.5 million Franklin National Bank CD's because the rate was so attractive, and they will mature very shortly.

Mr. Shaw continued through the blue book and explained in some detail pages 16, 17 and 18, listing "swap" activities from the month of December. He gave two examples, the first in which they had given up yield and temporarily reduced earning power because, at some point in time, this swap will be reversed. By temporarily giving up earning power and reversing the swap later, picking up more in yield, the fund will earn more dollars in the life of a security than had it merely been held. The second example given was to improve yield.

Mr. Shaw concluded detailing the contents of the book, and Senator Butrovich asked if, with declining principal, the fund could possibly realize a higher return per year. Mr. Shaw replied the fund could go into higher yielding securities in the corporate bond market, but would run into problems of liquidity as the average maturity of corporate bonds is 20 years. Senator Butrovich noted the fund could be depleted with the principal decreasing, and Mr. Shaw said he doubted if the fund could earn more than it had earned in the last year.

The question of investment decisions was brought up by Mr. Fink and Mr. Shaw said the Bank of America is in constant contact with the Department of Revenue, three or four times a day. An idea is proposed, pursued or abandoned, but nothing is done without the approval of the state.

A brief recap of the year 1971 and a forecast for 1972 was given by Mr. Shaw: 1971 was a very good year for the bond market, and the decline in yield has been very beneficial to the Alaska fund. A rate of return of 10.2% was earned, with \$23 million realized in capital gains for a total of \$73.1 million earned during 1971. 1971 was a year of only partial economic recovery, with an unemployment rate high of 6.2% during the year and real growth of only 3%. Consumption and expenditures were relatively low, while the savings rate of 8% was high. Strength was in warehousing, construction, state and local government construction and retail sales. Weakness was in low business spending, low inventory accumulation, sluggish loan demand, and low defense spending. The loan demand was very slack. 1971 started to make progress against inflation, and during the year there were two periods of sharp yield fluctuations. During the first quarter the Federal Reserve pursued an accommodative policy to get the economy expanding; as a consequence, interest rates declined. The Federal ease lowered domestic money market rates and effectively lowered rates in the Eurodollar market, resulting in a rapid growth in money supply. Inflationary fears caused the Federal Reserve to

tighten up at the end of March, but it did not have an effect at that time on inflation. The international situation became worse and finally on August 15 Nixon announced a wage/price/rent freeze and a 10% import surtax. Since then, rates have begun to fall. The Federal Reserve in the third quarter reversed policy again, and pursued gradual ease. During the fourth quarter they became more expansive, and the discount rate was cut twice. Foreign central banks purchase of government securities has greatly helped the market, with a \$27 billion increase, or more than enough to finance the Federal debt over the past year. The Federal Reserve is still pursuing a policy of "aggressive ease," and over the near term the direction of the market will be heavily influenced by Federal Reserve activity. Rates should remain stable until the Fed reverses policy.

In 1972 there are many intangibles. There is a possibility of recycling of the dollars held by foreign central banks. During 1971 they, in effect, financed our deficit, which will be equally as large next year, but we will not have the foreign central banks financing our deficit but the opposite occurring. In addition, every agency has a maturing issue in February which will have to be refinanced. Should the economy pick up, the Federal Reserve will have to reverse its policy and tighten up. This will greatly inhibit credit demands and increase interest rates. At some point the economy is going to pick up, as the Administration is committed to it. Inflationary fears will be rekindled, which is the worst thing that can happen to investors in long-term securities. The demands for credit will increase, and the problem will be compounded by recycling of dollars abroad, which will put upward pressure on interest rates. Mr. Shaw concluded by stating they feel this should happen in the first half of the year and, at some point, interest rates should begin to pick up.

Mr. Fink noted the Bank of America does not have the authority to buy or sell without the approval of the state, while the agency accounts do. Mr. Eppenbach said constraints are established in the contract with agency accounts, and reports of the quality of stock purchased are followed closely by Mr. Gates. Mr. Fink then asked if this policy has hamstrung his operations and Mr. Shaw said it had not. Since his involvement in the account early in 1971, all it has taken was a phone call to the Department of Revenue for a quick decision on investment activity.

Recess: The meeting recessed at 3:10 p.m.

AFTER RECESS

3:25 p.m.

Mr. Stevenson referred to the balance of the material presented to the finance committees and asked Mr. Eppenbach to explain the Cash Flow Model and General Fund Balance Analysis (see department file). Mr. Eppenbach described at some length the procedures used by the Department of Revenue for forecasts, and said the department is open to suggestions of what additional or different material should be fed into the computer. Mr. Fink noted the inaccurate projection given last year, and asked if the information presented this year is accurate. Mr. Charney replied the projection last year was based on the recommended budget by the Governor and the appropriation from the legislature was \$6 million less. Senator Butrovich noted the projections were based on an anticipated date of pipeline production, and asked if any future lease sales were used in the projection. Mr. Eppenbach replied they did not anticipate any sales, and there had not been a bonus sale in the past three years. Senator Butrovich then said that if there was a pipeline, the state could assume there would be additional oil lease sales, and Mr. Eppenbach said the issue is how much. Senator Butrovich stated a land sale is no more hypothetical than a pipeline at this time. Mr. Eppenbach said these are program variables, and he would not want to get locked into a base case that is not comfortable, to which Senator Butrovich replied he was not comfortable with this case. Mr. Eppenbach asked Senator Butrovich for his assumptions and the projections could be revised, and Senator Butrovich answered he would not even consider a pipeline at this time.

Mr. Fink questioned the statement of June 30 showing unrestricted general fund revenue of \$233 million as opposed to the projection book figure of \$220 million, to which Mr. Charney replied that cash in transit and receivables are not included in the report. There was a discussion about accounting procedures between Mr. Fink and Mr. Stevenson.

Mr. Fink then asked about the bond sale projections and how these figures are arrived at. Mr. Eppenbach answered the Department of Revenue works with the Department of Administration, and the estimates appear reasonable to the bond committee and the Governor's budget committee. He added, however, that these assumptions are essentially a "core" projection.

Mr. Warwick questioned the non-operating budget expenditures and asked if they will remain the same. Mr. Eppenbach replied this is independently forecast and do not appear in this statement. "Total expenses" includes all general fund expenses.

Mr. Eppenbach repeated the fact that essentially this is a "core" projection, and many uncertainties face major sources of revenue - oil and gas tax, etc. It is unrealistic to assume what the exact amount will be. The picture has not deteriorated since last year and the low point of the fund would be 1977, at which time the fund would begin to move up. When the pipeline, oil revenues, gas revenues, etc., are either in hand or highly probable, the state can begin to spend.

Mr. Stevenson referred to the Monthly Financial Report listing Custody of Cash and Investments with State Treasurer (see department file) and asked Mr. Alexander to explain the status of the bank incentive program, veterans loans, and agriculture loans. Mr. Alexander stated the legislature passed a bill last year requiring the state to purchase all good veterans loans submitted. There was a total of \$1.6 million purchased in 1971, \$4.5 million in 1972, and the Department of Commerce estimates there will be another \$2 million submitted in 1972, for a total of about \$8 million in veterans loans. The rates of return on the older veterans loans are running between 5% and 6%, after servicing the state is netting about 4-1/2% to 5%. About \$550,000 in agriculture loans has been submitted in 1972, and no more are anticipated. Mr. Alexander continued by stating GNMA certificates are yielding 7.20, a very good interest rate, and these certificates are a marketable instrument. All could be sold at a good profit due to the interest rate decline. Agriculture loans run about 5% and all future veterans loans should run 7%.

A general discussion followed on miscellaneous details in the revenue projections; i.e., interest income, campus activity center, carry-overs, purchase orders, etc.

Adjourned: The meeting adjourned at 4:30 p.m.

JOINT FINANCE COMMITTEES

January 19, 1972

1:45 p.m.

Present: Members of the Senate and House Finance Committees. Mr. Phil Wall, Administrative Services; Mr. Fred Boetsch, Director of Audit; Mr. R. D. Stevenson, Deputy Commissioner; Mr. L. P. Carroll, Chief, Misc. Tax; Mr. R. W. Kimlinger, Fish and Game Licensing; from the Dept. of Revenue, were also present. Mr. Homer L. Burrell and Mr. O.K. Gilbreth, Division of Oil and Gas, Dept. of Natural Resources; and Mr. Dick Freer and Mr. M. Charney from the Dept. of Administration were also present.

REVENUES Chairman Hohman called the meeting to order at 1:45 p.m.

OIL & GAS Mr. Stevenson requested that the committee consider oil and gas revenue and that Mr. Gilbreth and Mr. Burrell be allowed to testify first.

Mr. Burrell said that a great deal of the forecasting was based on IBM runs and he expressed his appreciation to the Division of Data Processing for their support.

Mr. Fink asked how they had arrived at their projections. Mr. Burrell said that on oil they figured the value of the oil by taking comparable oil on the market and assumed their oil was worth the same amount, then they determined well head value and subtracted transportation cost. He added that in the computer runs they have made allowances for depreciation, cost of transportation and operating cost of the pipeline. They also provided 5¢ per barrel increase per year in refinery cost. He added that they had also read all the material available on this subject.

Senator Palmer said they had heard on the news that certain Mid East countries as a result of the devaluation of the dollar planned to increase their price by 8.6%. He asked what impact this had on the values presented. Mr. Burrell said this would bring the price of imported oil closer to the price of U.S. oil -- the gap is narrowing everyday. Mr. Burrell said that about 10 per cent of crude oil consumed by the U.S. is imported.

Senator Lewis asked about the cost of construction of the pipeline. Mr. Burrell said \$2.5 billion is the most reasonable estimate based on the information available.

In answer to Mr. Fink, Mr. Gilbreth said that the well head price on the North Slope will depend on refinery prices

and the cost to get it to the refinery and the cost of the pipeline. He said their best guess on well head price after considering pipeline tariff and marine transportation would start out the first year around \$2.07 and increase each year up until about 1986 when it will have a value of \$2.86 a barrel and it would eventually drop to \$1.96 a barrel in 1996. Mr. Fink asked if they look at the ICC tariff annually or on the life of the field. Mr. Gilbreth said they had assumed that the tariff would be re-adjusted every two years.

Mr. Gilbreth said they believe there will be a market for the oil in District 5. Based on market for the oil he said they believe there will be a market for virtually all the crude that will go through the line -- 1.7 million barrels per day. Mr. Burrell added that there are some shallower and some deeper pools but they arbitrarily assumed production would be on the pool for which they have knowledge and this is 1.7 million barrels. Mr. Fink said then this is based primarily on one field that they have information on and Mr. Burrell answered in the affirmative.

Mr. Gilbreth said the forecast is a continuing need for crude oil. He added there are transportation problems in getting the crude oil from the west coast to the east coast. He said that if imports are held at the current level they believe there will be enough demand for this oil. Mr. Fink said it appeared to him that the need of District 5 would not be adequate to take care of all this oil. Mr. Gilbreth said that some people have said this but the information from other companies say that they can take all of it.

Mr. Fink asked what they are figuring for tariffs. Mr. Gilbreth said this will run initially from 89¢ a barrel down to a low of 53¢ a barrel in 1986 and up to a high of \$1.36 about 1996. This is just Prudhoe Bay crude, Mr. Gilbreth added.

Mr. Fink said they must also figure annual maintenance and operation and asked how they arrived at this. Mr. Burrell said this is the most difficult figure to arrive at because they have so little information. Mr. Burrell said this figure is 25¢ a barrel operating cost based on 2 million barrels a day. Mr. Gilbreth added that 12¢ a barrel is direct operating expenses and Mr. Burrell said that the 25¢ figure includes depreciation.

Mr. Fink asked about tanker cost. Mr. Gilbreth said they start with 44¢ a barrel as of Sept. 1, 1971 and escalate at 4 1/2 % due to inflation.

Senator Palmer said that the picture as far as tanker versus pipeline is the pipeline will go down because of maximum throughput but because of other costs the tanker cost goes up and may erase any of the benefit because of increased market price. Mr. Gilbreth said no, the market price will go up faster than tanker costs.

Mr. Fink asked if the ICC uses the two year period to establish rates. Mr. Gilbreth said they (the Division) are using the two year period and Mr. Burrell added that the ICC will accept anything as long as it is not protested. Mr. Fink said one approach could be that they charge per barrel based on recoverable reserves. Mr. Gilbreth said in the first few months this would be true, they will establish an average rate and this is how the initial tariff is established. Beyond that the companies submit information on what they think their throughput will be and tariffs should be set accordingly in order to allow permissible profit.

Mr. Fink asked if they have information on what rate the oil should come out of the pool. Mr. Burrell said no. Mr. Fink asked how they make an estimate. Mr. Burrell said the information was given them by the operators. Mr. Gilbreth said it is based on MER (maximum efficient recovery).

Mr. Fink asked if they anticipate the companies will limit themselves to one pool considering the big market. Mr. Gilbreth said he did not think there was any question but what they will develop other pools if there is a market. He added that just for Prudhoe Bay pool they did not anticipate other pools being developed for the initial one year period. He said there probably will be development of these other pools once they have the big pool more developed.

Mr. Fink asked if they expect to go over 2 million barrels in 1980. Mr. Gilbreth said they should get to this figure but not above and if it did go above it would be not significant. Mr. Burrell added there was the possibility of new fields in California. He said there were some variables they were unable to predict. Mr. Fink asked if they thought they would take out more than 2 million once the line was built. Mr. Gilbreth said they have to consider the possibility of a Canadian line by that time.

Mr. Fink asked if they anticipate any North Slope sales before 1980 and Mr. Burrell said probably by 1980.

Mr. Fink asked if they had any evaluation of what the state-owned unleased land is worth and Mr. Burrell said no.

Mr. Fink asked if there was any land the state owns that is not leased that is potentially leaseable. Mr. Burrell said it has speculative value only. then said, yes a great deal has potential. Mr. Fink asked if they had any idea of the value of this. Mr. Burrell said no, they have not done any seismic work.

Senator Palmer asked how the state off-shore lands compare with the Prudhoe Bay lands. Mr. Burrell said there is no difference in their comparisons of on-shore or off-shore lands.

Senator Palmer referred to a figure given in the newspaper for the value of off-shore Cook Inlet. Mr. Burrell said this figure was for the attorneys use for the court case at Cook Inlet and was merely a "horse sense" figure.

Mr. Fink asked if they planned lease sales in advance. Mr. Burrell said when the administration makes a decision for a lease sale they ask the division about areas the industry will be interested in. Then this is put up to the industry for nomination to see where the heavy interest lies.

Mr. Fink asked if they anticipate a sale on the North Slope. Mr. Burrell said no, not on the North Slope but there may be a sale on Upper Cook Inlet.

Mr. Stevenson noted the controversial \$6,000,000 figure on page 55 of the Revenue Sources which the narrative did not cover. Mr. Burrell said when they discovered this they went to the Deputy Commissioner, Dale Wallington, of Natural Resources and asked him about it and he said this was the first he knew about it. Mr. Burrell said he was unable to comment on this. Mr. Gilbreth added that they had just found out about it and that Mr. Wallington did not recall it being in there and that it would have been put in by the State Division of Lands.

Senator Palmer asked about the court case at Cook Inlet. He said it should be settled at the first level in 10 days and in the past it has been the policy of the state not to go ahead and hold sales there until a final decision has been reached. He asked if there is any change in this policy or if they would plan an escrow agreement. Mr. Burrell said not that he knew of. He said that the federal government insists on "calling the shots" in an escrow agreement.

Senator Palmer said he felt there would be a tremendous advantage in being able to take the environmental suit through the court simultaneously. Mr. Burrell said he

had been in contact with the Army Corps of Engineers on this and their latest plan is to commence work on the environmental impact statement for Cook Inlet about August and it would take 8 to 9 months to finish but they are now trying to determine whether they can hire a consultant to get on with this job.

In answer to Senator Palmer, Mr. Burrell said they hope a good environmental statement will preclude or delay successful court action.

Mr. Fink said he had heard on the radio regarding the Cook Inlet case that the federal government is saying that it is international waters and Mr. Burrell said yes, the U.S. lays claim to all submerged land to a depth of 600 feet and as far out as it can be developed physically. The federal government claims they own the sub surface, he added.

Mr. Fink said that looking at 1972 compared to 1977 the royalties go up about 5 times and oil and gas severance comes up about 4 times and asked why. Mr. Gilbreth said they have some expiring leases which will result in more royalties and less taxes -- the state will receive 7 per cent more royalty which takes 7 per cent out of the tax category.

In answer to a question by Mr. Fink, Mr. Gilbreth said there is only one lease in Prudhoe Bay granted discovery allowance. He said the state's royalty is 1/8th out of the entire Prudhoe field.

Senator Butrovich asked if they attribute any value to exploratory work going on south of the range. Mr. Burrell said they were not aware of any significant work on the Alaskan side. After a brief discussion, Senator Butrovich said that perhaps they are servicing work being done in Canada from the Alaskan side.

Senator Palmer asked about any new discoveries on the Swanson River field. Mr. Gilbreth said there were no new discoveries -- only some drilling to permit additional drainage.

In answer to Mr. Fink, Mr. Gilbreth said he believed there would be a gas line in at the time the oil line is in based on what the gas companies told them. He added that the thing is to determine how much gas can be produced and sold and the operators don't know.

Mr. Gilbreth said that 40 per cent of the produced gas is considered to be sold at a price of 16¢ per MCF.

Mr. Burrell said there is insufficient gas to make a gas line economic at this time. He said they need a reservoir simulation model to obtain an accurate figure. Mr. Fink said then even though this is in the projections it is indefinite and Mr. Burrell said yes.

Mr. Fink asked when the construction for the pipeline would have to begin to meet their schedule. Mr. Burrell said some time during 1973. Mr. Fink asked if they started construction in 1972, could they move up the projections. Mr. Burrell said yes.

A prediction of tax by years was read by Mr. Gilbreth.

Senator Palmer said that they had indicated that District 5 could take the entire amount of oil but the Levy report had disagreed. Mr. Gilbreth said they did not agree with the Levy report and one of the differences is in the level of exports. He said if the present level is maintained there would be a need.

Mr. Fink said they had indicated when they had a sale the administration determines this. He asked if in revenue projections the administration gives them any indication on how the projections should be. Mr. Burrell said no, but they will question their assumptions. Mr. Burrell said they had the pipeline starting in 1975, certain members of the administration decided July 1, 1976 was more reasonable and they had to move their assumption back to that date.

Mr. Gilbreth spoke briefly on a curve chart entitled Monthly Oil Production. Mr. Gilbreth indicated that because of the no flaring order for gas they had cut back on production for six months because additional pipelines for the gas would not be completed until January. Then he added they would have a new hearing on this prior to July 1. It was also noted there would be \$2.3 million additional revenue if it is not cut back because of the no flaring.

Mr. Gilbreth said that code 637, oil and gas production, showed a figure of \$23,000,000 and their attention had been called to one report which showed they collected \$25,000,000. He said they were working on a cash receipt basis and the \$25,000,000 figure is the one that is in use. He said the remaining \$2,000,000 was in transit on June 30, 1971. In answer to Mr. Fink, Mr. Gilbreth said this would not hold true in 1970 as there was no money in transit in 1970. He said this is only for state royalty being transferred from Anchorage to Juneau.

Mr. Gilbreth said the figures they are projecting are the best they can do and represent a consensus of all the people who work on this. Mr. Burrell added that the problem is that all of these items are dependent upon things outside of Alaska.

Mr. Fink asked if they had an optimistic and a pessimistic forecast. He said he assumed what was shown was "middle ground". Mr. Gilbreth said yes. Mr. Gilbreth read from page 175-176 of the state environmental study. He said for 1976 \$164,000,000 is their best estimate with inflation and escalation. He said a conservative figure would be \$136,000,000 and an optimistic figure would be \$212,000,000.

Mr. Fink asked if the closer they came to the oil flowing the more accurate they would get. Mr. Gilbreth said yes, and added that it was entirely possible construction could be accelerated.

A discussion noted that the Division's estimate of the oil and gas severance on the North Slope is a little over 7% which amounts to 13¢ a barrel.

Mr. Fink asked if the state wins the Cook Inlet well head case how much difference this would make in income. Mr. Gilbreth did not think this would amount to very much as it would virtually be only exact taxes.

Mr. Fink asked if they felt they were getting a fair price for Tesoro oil and Mr. Gilbreth said yes.

There was a discussion on prices of oil per barrel. Mr. Burrell said that transportation varies from 5¢ or 6¢ to over 35¢ per barrel in Cook Inlet.

Mr. Gilbreth said the effect on taxes at Cook Inlet could probably be about \$200,000. It was noted that the oil companies are now billing the state for transportation cost at Cook Inlet and the state is ignoring these billings. In answer to questions from the committees, Mr. Gilbreth said that whatever happens in the court case at Cook Inlet it will be Tesoro's obligation to pay the state as they are under contract. Tesoro would have to pay the state and the state in turn would pay the oil companies and Mr. Burrell noted this is firmly "locked in" in the contract.

Recess: There was a recess at 3: 15 p.m.

AFTER RECESS

3:35 p.m.

Messrs. Burrell and Gilbreth left the meeting.

REVENUES

Mr. Stevenson listed the balance of the documents distributed to the Finance Committees (see department file). He noted there was a slide in the percentage of growth in tax and license fee collections, since they increased by only 10%, in comparison with the increase of 19% in the two preceding years. One of the largest downward revisions was in income tax. Withholding is the guide to how the state is doing in income tax, and the first two quarters of withholding were compared to a year ago showing only a slight increase. There once was a \$50 million payroll on the North Slope, and Mr. Stevenson said he has been down three times in the last twelve months to the Alyeska office in Seattle for estimates on the direct Alaska costs of the pipeline. Contractors have also been asked for estimates of payroll in an attempt to arrive at a gross payroll factor, and it appears there will be some gains but not as high as the pattern in recent years.

Four revenue proposals to be submitted by the Governor (not included in revenue projections) are:

1. Increase income tax from 16% to 16.5%. The Federal income tax will be slightly less due to the increase allowed on exemptions, so the Department of Revenue feels the state may pass this increase.
2. Cigarette tax raised from 8¢ to 12¢ per pack. There are still 17 states taxing at a higher rate.
3. Motor vehicle tax increase. There is no increase suggested for passenger cars and the major source will come from adjusting truck tractor fees.
4. Increase business license fees on state banks by 4%. This was recommended by Peat, Marwick & Mitchell.

Mr. Stevenson then noted that last session a bill was passed to tax the military for liquor purchases. Senator Gravel had advised the state that, although the military would voice strong objection, they would pay the tax. On this recommendation, the bill was passed. It is now found, however, that the military will buy liquor from outside the state in order to circumvent the tax, and an opinion from the Attorney General supports their position. Senator Butrovich asked for a copy of the A. G.'s opinion on the purchasing of liquor by the military outside the state for both Finance Committees. Discussion followed on the details of ordering, delivery, etc., and Mr. Stevenson read a letter from a wholesaler complaining that this has cut his sales since now it is virtually impossible to obtain an order from the military.

Mr. Stevenson continued through the revenue projections book and said projections are based on the pipeline starting in January, 1973.

The watercraft fuel tax has not increased in proportion to the tax increase and, after investigation, it was found boats will load up with fuel in Washington, since that state has no marine fuel tax. This applies to ocean-going boats, large fishing vessels, etc., and is the reason the tax did not increase by 1/3 as expected.

Mr. Wall detailed the information on motor vehicle registration. He noted there is a consideration to register pick-ups as passenger vehicles, since a survey found 87% are used as such. The biggest issue is the proposal to increase fees in the inter-state commerce area. The problem now is that inter-state trailers are not taxed in a positive manner, and it does not seem reasonable to carry on the present registration system. He recommended the tractor only be licensed, and went on to explain the method of licensing. Fees are equitable in Alaska with Canada, but are low compared to inter-state agreements elsewhere. Mr. Wall also recommended a title fee be charged in order to contract for removal of abandoned and wrecked vehicles. He said the department is still questioning what it should recommend to the legislature in this area, somewhere between \$10 and \$100, probably charged only once when the car is titled, and not retroactive. Mr. Fink questioned how many cars are abandoned and Mr. Wall said there are quite a few in SE Alaska and on the Taylor Highway. Neither the state nor local government is equipped to cope with this problem. Title fees should be raised, since they are only \$2 now and it costs \$4 to process. A bill is being submitted to raise the fee to \$5. The Highway Safety Department recommends inspection be done on cars when first coming into the state, both from a mechanical and a stolen vehicle point of view. Senator Rettig asked the approach to registering vehicles where there are no state roads, and Mr. Wall replied a bill has recently been introduced for a one-time license fee, initially charged. The present law needs to be clarified as it does not cover this area. A discussion followed on the attempts by state troopers to require licenses on vehicles, when actually there is no law requiring this where there are no state roads and on the North Slope.

Adjourned: The meeting adjourned at 4:50 p.m.

HOUSE FINANCE MEETING

January 25, 1972

1:50 P. M.

PRESENT: All members except Representative Wright; Representative Kerttula, Representative McVeigh, Commissioner of Highways Bruce Campbell, Highways Administrative Director Tom Johnson, Ron Lind of the Department of Administration, and Steve Weiner of the Associated Press.

HIGHWAYS Chairman Hohman called the meeting to order at 1:50 p.m, and asked Commissioner Campbell to make opening remarks regarding the Department of Highways budget request.

Commissioner Campbell stated that the budget request was essentially a "hold-the-line budget" with very little change from last year; the number of positions and the appropriation requested are very much in line with last year. The department has not appreciably added new positions--only 5 or 6 new positions--but has taken on considerably more road mileage. The additional road mileage is comprised of local service roads and 200 miles of the Anchorage/Fairbanks highway, plus additional small items of maintenance in other areas. The department, Commissioner Campbell stated, has done its best to stay within the financing available.

Representative Fink asked how program budgeting affected the Department of Highways and if it changed their budgeting process. Commissioner Campbell stated it wasn't much of a chore for Highways to go to this type of budgeting, since they normally budgeted by project.

Representative Haugen asked Commissioner Campbell how he could add miles of road to maintain in his program and still hold the line on personnel and costs. Commissioner Campbell explained that they had added five positions in the budget, but that they had deleted one position in the Commissioner's Office (State Highway Engineer) and deleted two accounting type positions and the net gain of personnel was in the operating program. Representative Haugen asked if the department was still maintaining the old Anchorage/Fairbanks highway. Commissioner Campbell stated that they were; the new highway was maintained last year except for the 200 miles recently constructed, and there may be an increase in the department's request next year after they have experience in maintaining the new portion. He stated that Highways has a temporary camp for maintenance this year and, based on this year's experience, will plan permanent facilities next year.

LOCAL
SERVICE
ROADS

Representative Fink asked Commissioner Campbell if the Department of Highways maintained local service roads after they were constructed. Commissioner Campbell stated either the department maintained the roads or contracted with local governments for their maintenance; in either case, the department is paying for the maintenance. He also stated that if the local entity elected to accept revenue sharing for this purpose, then the local entity would be obligated to fund the maintenance of these roads.

Representatives Colletta and Specking entered the meeting at this point.

Representative Warwick asked Commissioner Campbell if any plans had been approved for construction of local service roads. Commissioner Campbell stated that they had approved some plans. Representative Warwick asked for an explanation of the difference between "projects" and "plans". Commissioner Campbell explained that the local entity prepared a project agreement defining the scope of the project; this is approved by the department. From the project agreement, a plan is made and the department approves that if it is in keeping with the project agreement. The third inspection is after construction; if the project was constructed according to the project agreement and the plan, the state will take it over.

Commissioner Campbell stated that no plans had been rejected to date, but that some had been "discouraged"; he cited cases where federal aid was available to accomplish the work as being the type of project that would be discouraged by his department for aid under the local service roads act.

Representative Kerttula stated that he understood from looking at the list of projects requested under the program that the department was millions of dollars short to fill all requests from local governments. Commissioner Campbell stated that before the Local Government Committee last year the department had shown a total recorded need in the state at that time for \$80 million, and that has only been diminished by \$6 million. Chairman Hohman asked if the \$6 million had been obligated, and Commissioner Campbell stated that the department was in the process of obligating the funds at this time.

Representative Kerttula asked if certain areas had already been completely obligated. Commissioner Campbell stated that every area that has money coming is in the process of obligating their money now; every area has decided on their priorities.

Representative Kerttula stated that in the 73 budget request, there was no money to carry the program forward. Commissioner Campbell stated that that was true.

Representative Fink asked Commissioner Campbell how he determined where the money would be spent, and mentioned the Resurrection Bay Road near Seward. He stated that it seemed to him that they were doing alot with very little money there and then they ran out of funds. He asked if there was local service road money for that project.

Commissioner Campbell stated that was the decision of the Kenai Borough as to whether they would get any further of these funds. Seward put all of its apportionment (\$30,000) into this project; the borough put in nothing.

Representative Fink asked if it was wise to allocate money to a project if there weren't enough funds to finish it. Commissioner Campbell stated that when they started the Anchorage/Fairbanks road, the department didn't have enough money to finish the project and that this was true of many cases. Representative Fink stated that this (Resurrection Bay Road) was a "leg" that goes nowhere; he asked how much money was allocated to the Kenai Borough. Commissioner Campbell stated that allocations are determined by a formula under the law and he did not have the figure for the allocation to the Kenai Borough at hand. In answer to a question from Representative Degnan, he stated he saw no basis for changing the law at this time.

Commissioner Campbell stated that in reference to the Resurrection Bay Road, that road was underway long before the local service road program came along and many sources of funding have been used along the way. Representative Fink stated that he felt it was an excellent road, but that it seemed to him that if we are allocating money to establish local roads, we should allocate money to complete them or not start them.

Commissioner Campbell stated that the whole purpose of the program was to give the local government units their own program for developing road systems, and that is their prerogative under the act. Representative Fink asked the Commissioner if he didn't feel that the department should ask the local governments to accomplish something, not one-half of something. Commissioner Campbell stated that it all depended on what you determine is a usable road. The whole project will come from a variety of sources, and the City of Seward is determined to make the project work. Commissioner Campbell stated he didn't believe that the funds had accomplished nothing.

Representative Fink stated that he would like to know what the allotment to the Kenai Borough was. Commissioner Campbell stated that two sums were allocated to that area under the act: one sum went to the City of Seward, and one sum went to the Kenai Borough.

Representative Haugen asked Commissioner Campbell about a situation in Wrangell where a portion of a local service road was in the city and another portion in the unorganized borough; he asked under whose jurisdiction was the portion of the road in the unorganized borough. Commissioner Campbell stated it would be under the jurisdiction of the Commissioner of Highways. He stated that in some cases, a city and borough would use their allotment on the same project.

Representative Degnan asked what procedure Commissioner Campbell would recommend if a community wanted to build a road to an airport and they could only get 25% of the cost of the road. Commissioner Campbell stated they could save the funds from year to year to complete the project if there was no other funding source available. He stated he did not feel it was his prerogative to tell the local governments how to spend their money.

Representative Degnan asked if the department made a cost differential for different areas of the state. Commissioner Campbell replied that this was determined by the formula. Representative Degnan asked if the Commissioner would recommend a change in the act. Commissioner Campbell stated that at this point he would not.

Chairman Hohman asked the Commissioner how long the paperwork for getting a project approved took. Commissioner Campbell stated it took only a matter of days. Chairman Hohman cited a project defined by the City of Bethel. He stated that the City of Bethel was facing a housing shortage that would be intensified by the construction of the regional highschool. He stated that the City of Bethel had submitted a project designed to open up a subdivision and begin construction of the road last fall. The Bethel City Manager and Representative Hohman had appeared in Commissioner Campbell's office last August on the matter, in order to underline the urgency of the proposal. The Bethel City Manager had informed Chairman Hohman that as of last week, the city had not received a "go ahead" on the project. Commissioner Campbell stated that he would look into this matter.

Representative Fink stated that he would like to know where the \$6 million would be used. Commissioner Campbell stated that this information should be in the staff's files. Representative Fink stated he wanted to see a list of the approved programs throughout the state and what each area will do with their money.

Chairman Hohman stated that Commissioner Campbell had stated that \$80 million was needed for this program and that the \$6 million was all spoken for. He asked the Commissioner what he would consider an appropriate amount to continue the second year's program. He asked if \$10 million would be appropriate.

Commissioner Campbell stated that it wasn't a question of how much money they could obligate; they could obligate several times that amount. He stated that the issue was how much money the state could afford to spend on the program. Representative Kerttula asked if Commissioner Campbell would deny a need for \$10 million. Commissioner Campbell stated that last year he had stated the need for \$80 million. Representative Fink stated that the department and/or the administration had not requested any new money. Commissioner Campbell stated there is no request for local service road monies in the budget. He stated that it was left out until the administration could see how things would be as far as revenues.

Chairman Hohman asked how state selection of lands would affect the formula. Commissioner Campbell stated this was specifically spelled out--will not affect the federal aid matching formula for 20 years; any land selected would not affect the formula until it is actually patented. Commissioner Campbell stated if there was to be a different interpretation by the federal agency, they hadn't yet informed his department.

Chairman Hohman asked if the five-year plan is based on the same matching formula; Commissioner Campbell stated it was, with the same apportionment as known today.

Chairman Hohman asked if lands selected under the Alaska Native Land Claims Settlement Act had a property tax imposed upon them, would that affect federal aid to highways for the state.

Commissioner Campbell stated he did not know the answer to Chairman Hohman's question.

Joe LaRocca entered the meeting at this point.

Commissioner Campbell stated in answer to a question from Representative Warwick that he didn't believe there would be any Highways monies from last year lapsing. The department had extraordinary expenses due to the Kodiak slide (\$200,000) and the Palmer flood (\$250-\$350 thousand) which would possibly have to be funded entirely from state funds.

Representative Warwick observed that the agency's budget request for capital improvements was double what the Governor had requested and asked what the reason for this was. Tom Johnson stated this was because the department was including its 74-75 federal aid apportionment in the budget since they normally worked on a two year program for bonding purposes. The Governor's Budget Review Committee had changed the procedure and the request reflected only the first year's federal apportionment and state bond funding through December, 1974. The reason for doing this was that so many bonds had been authorized and not expended, and the department has \$9 million in bonds that have not been obligated and \$22 million in bond funds had not been expended. Mr. Johnson explained that it takes three to four years until the money is expended.

Representative Warwick asked what the status was of the \$9 million (difference between the total amount of state bond funds since statehood--\$35 million--and the \$22 million in bond funds which had not been expended). Mr. Johnson stated the the department obligates bond funds and it takes years to expend them; this is why the administration cut back in the capital program. He said it would have no effect on the highway program.

Representative Warwick asked if the \$6 million requested in the budget was part of the \$9 million. Mr. Johnson said it was not; he stated that to the federal apportionment, the department had to add about 10% in state funds. Representative Warwick asked if by approving the budget request, the \$6 million would be placed on the ballot. Mr. Johnson stated that it would be.

Representative Warwick asked if the Five Year Highway Plan had changed significantly. Commissioner Campbell said that four years had been moved up, one year added and some minor changes made. He stated the plan would be transmitted on January 25th or 26th from the Governor.

Representative Warwick asked how the federal apportionment ratio was determined. Mr. Johnson explained that it was determined by three factors, each of which was evenly weighted: (1) federally owned land within the state compared to total land area, (2) number of rural mail routes, and (3) population.

Representative McVeigh left the meeting at 2:25 p.m. Representative Kerttula left the meeting at 2:37 p.m. Representatives Colletta and Specking left the meeting at 2:39 p.m.

Commissioner Campbell explained to the committee the basis for the federal allocation to Alaska--roughly \$52 million per year. He cited his problems in dealing with the Department of Transportation, explaining that after the apportionment is made the President's office of Budget and Management establishes an obligatory ceiling. Out of the \$52 million apportioned, the obligatory ceiling was \$6,039,000. On December 1, Alaska had \$110 million worth of obligatory authority and then the ceiling was imposed.

Representative Warwick asked how long it takes to get federal applications approved (PR-1). Commissioner Campbell stated it takes a long time since the department must furnish an environmental statement and relocation certification; it takes "upwards to a year". He stated that this process causes deletion of projects and voiced his fear that at some point the President will take away past apportionments and allocate them to urban projects. In this way, the department would lose the benefit of all the preliminary engineering projects. He stated this problem had been going on since 1967, and said states with a larger Congressional delegation get much better results from the federal aid to highways program.

Representative Fink asked the Commissioner if the operational budget wouldn't vary since it was based on \$52 million rather than \$104 million. Commissioner Campbell stated that it would, but that there would be no impact on state dollars since salaries for project engineering were paid with federal dollars.

Chairman Hohman requested that Commissioner Campbell provide the staff with three copies of the Five Year Highway Plan.

Chairman Hohman referred to the Alaska Native Claims Settlement Act, Conference Report, page 30, "Taxation", Section 21 (e), and read the following:

(e) Real property interests conveyed pursuant to this Act to a Native individual, Native group, or Village or Regional Corporation shall, so long as the fee therein remains not subject to State or local taxes on real estate, continue to be regarded as public lands for the purposes of computing the Federal share of any highway project pursuant to title 23 of the United States Code, as amended and supplemented, for the purpose of the Johnson-O'Malley Act of April 16, 1934, as amended (25 U.S.C. 452), and for the purpose of Public Laws 815 and 874, 81st Congress (64 Stat. 967, 1100), and so long as there are also no substantial revenues from such lands, continue to receive forest fire protection services from the United States at no cost.

Commissioner Campbell stated that if the state put a tax on these lands, it would affect the money the state would get for federal aid to highways. Chairman Hohman asked the Commissioner to determine how much federal money such taxation would jeopardize. Commissioner Campbell stated he would discuss the matter with Commissioner Herbert.

Representative Fink questioned the Commissioner on the 5.5% inflationary figure used in the budget. Commissioner Campbell stated the inflationary figure is actually higher as far as equipment and commodities for highway construction is concerned.

Chairman Hohman asked Commissioner Campbell if bike ways paralleling federal highways were federally funded. Commissioner Campbell stated that they were and that his department would be constructing quite a few. Representative Fink asked how many miles of bike trails would the department be constructing. The Commissioner replied that the department would react to the needs of the people, and he stated that he got "100 letters per day asking for bike trails". He stated that the department would be constructing one down on the Kenai, in Palmer, Eagle River, at the University of Alaska and several others. Representative Haugen asked how extensive a construction job was entailed. Commissioner Campbell stated the first one had not yet been built, but that they will be six or eight foot pathways--not very major facilities.

Chairman Hohman asked if snow mobiles were permitted on bike trails. Commissioner Campbell stated that would probably be a sore point because they are intended for bicycles and pedestrians.

Representative Fink asked the Commissioner how many miles of highway would be paralleled by bike paths next year. Commissioner Campbell stated that about 25% of the highways would be paralleled with bike trails. Representative Fink asked if this type of construction was required. Commissioner Campbell stated it was not, but that the department would do it because he felt the people of the state wanted it done. Representative Fink suggested that the department do a survey to establish what kind of use the trails would get.

The meeting adjourned at 3:05 p.m.

PUBLIC HEARING
JOINT HOUSE AND SENATE RESOURCES COMMITTEE
January 25, 1972
3:35 p.m.

PRESENT In addition to members of the Committee, Commissioner Charles F. Herbert of the Department of Natural Resources was present.

NATIVE Chairman Farrell called the meeting to order and explained
LAND that its purpose was to determine the effect of Native Land
CLAIMS Claims on the State's land selection process.
EFFECTS

ON STATE Mr. Farrell turned the floor over to Commissioner Herbert.
LAND There were several maps on the wall at the front of the
SELEC- room. Mr. Herbert explained the blue print outlining land
TION that would be withdrawn under the Native Land Claims bill.
He said they were not circulating the map because it was only an estimate of what the Secretary of the Interior would do. The second map showed land classification as it existed up to a few days ago. It was prepared by the Department of Interior. Another map showed present lands selected by the State. They had 26 million acres prior to last Friday, plus the selections just recently made.

Mr. Herbert said that the Native Claims Bill provided several series of methods by which land could be withdrawn and selected by natives.

He said that Section 11A provides for withdrawals from the 25 townships around each native village. A village is determined if it has 25 natives listed in the 1970 census, and a majority of native population. They couldn't come up with 225 villages that would qualify--only 170. The map he was using was based on 205 villages. He thought that the Secretary of the Interior might exclude some of them.

Mr. Herbert referred them to the Lower Kuskakwim. He said it was impossible to withdraw from the 25 townships around those villages.

Mr. Herbert said that 16 to 18 million acres were allowed to the villages. A village with 100 or more persons was allowed 3 townships and one with 600 or more was allowed 7 townships.

The difference between the total native allotment and the amount allowed to the villages would be distributed to villages based on population--up to 22 million acres.

The land lost formula is incorporated into this bill. 16 million is distributed according to this formula. Native associations are granted so much land. When you add up all

the grants to the 11 associations and divide by 16 million that is what is allocated to native association areas, but you must make adjustments reducing the amount of land in some size. Assuming they have already received more land than they would have under the land lost formula.

Mr. Herbert did have figures on this showing the divergence between the native associations:

Arctic Slope: Entitled to 4,871,000 acres, therefore to get 3,600,000 outside of the 25 township withdrawals.

Southwest Association: Normal precedents entitled to 7,130,000 acres, but receives more on basis of population, but gets no additional land on basis of land lost formula.

Thus, the State has assured all of their selection. Large areas are to be selected by the native associations.

The State did not make selections on the North Slope where additional possibilities of oil and gas were. The answer is simple--it takes in the Arctic Slope Native Association. No oil and gas rights go with the land--they get surface rights only. They're going to have to pick up 3.6 million acres out of what is left. By deducting this land from that would give three times the amount of land that is necessary for Arctic Slope Native Association to make a selection. The State couldn't go in without being in direct conflict with the natives. The natives are entitled to receive up to three townships of state selected or federal land. The State decided to move ahead and acquire as much land as they could.

Mr. Herbert explained that Section 17d says that the Secretary of the Interior withdraws 80 million acres of land within 90 days. In the State's opinion, the law anticipates that they do exactly the same thing. So they prepared selection rights bringing them to the top of entitlement for government lands.

Mr. Herbert put an overlay on the map showing State land as it is today to illustrate the fact that the State is going to have arguments with the federal government. The principle argument will be over Copper River Valley. Federal withdrawal was made some time ago. However there are several differences of opinion within the state and federal as to whether this was accomplished.

He said that the State had taken other lands around for various reasons and proceeded to outline them. Most of the reasons were because of recommendation from the Department of Fish and Game such as preserving sportsmen's areas or wildlife areas. Potential mineralization was cited many times. In one case shore facilities in case of any oil development was the reason for selection.

Mr. Herbert explained that the Pipeline Corridor was not open to State or Native selection.

Chairman Farrell introduced Mr. David Jackman from the Attorney General's Office.

Sen. Christianson asked about withdrawals around Holy Cross. Mr. Herbert said it was bounded by Native selections.

Sen. Hensley thought that on the surface the State may have chosen valuable lands, but wondered if it were necessary to move and select the full 76 million acres when in the future they might find they had missed some valuable properties.

The Commissioner answered that they felt they had to have a large section of land right now for trading purposes with the federal government. They know they're not going to get all of it and they're going to get less as native selections come out of it. They plan to trade with the Park Service. He added that there were valuable spots which the Bureau of Sport Fisheries and Wildlife has a definite interest in. Mr. Herbert said that they'd release somewhere around 7 or 8 million acres.

Mr. Farrell asked how long this had been in the planning, and Mr. Herbert answered a long time. He said that the Division of Geology had been trying to identify lands that shouldn't be closed off to mineral development, and that the Department had been working with the Governor.

Mr. Groh said that under the provision of the Native Claims Act, selections within the 25 township areas designated on the map had to be made by a native group within a three year period, and by the regional group within a four year period. If they chose three out of 25, that would leave 22 in most areas that would become available at the end of 4 years. He wondered why the State wanted to choose all 76 million acres at once.

Mr. Herbert said that first of all only the small villages select three townships. The regional corporation selects two. He added that the State always had the right to drop off from a selection.

Mr. Groh said that if they couldn't give the land back, it seemed like an awful lot. Mr. Herbert didn't think we were going to get caught. We would if approval came through right away, but he didn't think it would happen. He said that the Alaska Action Committee fighting the bill said that it would cause Alaska to be in a land rush. That can't be now that they have made the selections. It segregates land from public land.

Mr. Hillstrand asked how much of the 75 to 76 million acres selected were above 2,000 feet. Mr. Herbert didn't know, but guessed one-third.

Mr. Herbert said that another feature to the bill/in addition to the 205 villages named, any group of natives that can qualify as a group entitled to receive up to 23,000 acres-- by proving hardship--will get it. Four cities are classified differently: Sitka, Kenai, Juneau, and Kodiak. Natives living in those towns are entitled to 23,000 acres.

Sen. Thomas asked what would happen if the State was refused its selection.

Mr. Jackman, an Assistant Attorney General said that the State had acted within the 90 day period during which Congress could withdraw. He said that the Secretary had the authority to make withdrawals in some areas. It is the State's position that until the Secretary acted to withdraw, that these were unreserved lands and open to State selection.

Sen. Thomas asked what happened that insisted we take all our land, and Mr. Herbert said that they hoped they could provide a forum for working out selection and compromise with the federal by doing so. He said that the land use function issue was there if Congress had to determine.

Mr. Groh asked what would happen if the Secretary of the Interior top filed the 76 million acres and went to Congress with his 80 million acres. Mr. Herbert didn't know. He said that the Committee in their explanation of what the bill did to land, said that State selections could be made immediately in areas outside the township areas. This was the advice of the Governor's Committee to the State of Alaska.

Sen. Palmer asked if they could switch lands later if more valuable pieces came up if they didn't have tentative approval. Mr. Herbert said they could switch even if they didn't have tentative approval, and as long as they didn't have final patent. He said they also had a provision to trade with federal and with natives.

Sen. Palmer asked if this would hold even if they were talking about 5 or 10 million acres, and Mr. Herbert couldn't see going out to make additional selections of 5 or 10 million acres.

Mr. Herbert presumed that the lands covered by federal oil and gas lease would be selected by the natives. He didn't know if the natives were obligated to serve on the leases or not.

He assumed the natives would get the entire proceeds. He added that this didn't really concern them at this point.

Mr. Barber asked whether these selections insured that future gas lines would run over state grounds. Mr. Herbert said no. He added it was true that it was an area where the gas line would go, but that it would also pass through native selected land.

Mr. Peratrovich asked if they were going to make deals with the forest service to get land in Southeast, and the Commissioner said yes.

ADJOURN Meeting adjourned at 4:30 p.m.

HOUSE FINANCE COMMITTEE
January 26, 1972
2:45 p.m.

Chairman Hohman called the meeting to order. After a brief discussion the following subcommittees were assigned for budget work.

BUDGET ASSIGNMENT

Administration	Mr. Wright
ASHA	Mr. Wright
Commerce	Mr. Wright
Economic Development	Mr. Warwick, Mr. Degnan
Education	Mr. Warwick, Mr. Wright
Environment	Mr. Warwick, Mr. Degnan
Fish and Game	Mr. Ditman, Mr. Haugen
Governor	Mr. Ditman, Mr. Haugen
Health & Soc. Serv.	Mr. Wright, Mr. Degnan
Highways	Mr. Ditman, Mr. Haugen
Courts	Mr. Fink
Labor	Mr. Warwick
Law	Mr. Fink
Military Affairs	Mr. Degnan, Mr. Hohman
Natural Resources	Mr. Degnan, Mr. Warwick
Public Safety	Mr. Fink
Public Works	Mr. Ditman, Mr. Haugen
Revenue	Mr. Fink
State Operated Schools	Mr. Wright, Mr. Degnan
Univ. of Alaska	Mr. Wright, Mr. Warwick, Mr. Fink

Recess: The committee recessed at 3:00 p.m. and then continued on bill work.