

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2529

AFTER RECESS

3:30 p.m.

Chairman Hohman called the meeting back to order and said the committee would consider the Division of Game budget.

DIVISION
OF GAME

Mr. Jones, the Acting Director, spoke on the budget for this division. He said that Mr. Andrews had already covered a great deal of the basic material. He said all sources of funding and proportions are precisely the same. He said in the past although they had ample amount of money to match the available Pitman-Roberts funds this was not done because the program had not developed to this point. Mr. Jones said in 1960 (where records are available) their apportionment was \$790,000. It has gradually increased until 1968 at which time it was \$1,316,000; 1969 it was \$1,514,000; 1970 it was \$1,582,000 and in 1971 it was \$1,538,000. Mr. Jones said these funds can be utilized for a three year period. If they have not spent money from 1969 it can still be picked up during this year. They are reverting three year old money all the time. In 1960 they reverted \$15,000, in 1962 \$152,000; in 1963 \$177,000 and in 1966 \$193,000. He said in the last three years they have utilized these funds by matching money.

The increase in the state's population and in non-resident hunting effort has increased approximately 12% per year and their license fees have increased approximately at this rate. However, this past year for the first time their license fees declined from \$22,000 over what they had been. He said the apportionment from the federal government has leveled off at \$1.5 million and at this time they see no reason why this would increase. In order to utilize all this money the Game Division has very gradually increased in size and scope to properly take care of the increase in population and to provide services to the public. He said during this present year they were authorized two additional clerical help and ten game biologist and they are now "staffed up". They have 74 professional biologists on the staff plus the clerical help. Mr. Jones said they anticipate no increases in the next few years in their staff. However, in order to serve the public more efficiently some of the people in the centers will be moved out in some of the outlying areas.

They will move a position to Wrangell, one to Fort Yukon and in a few months a position will move from Fairbanks to Big Delta.

Mr. Jones said in the research and management program they do not anticipate any great changes but there will be some changes as they see the need.

Mr. Jones said the total budget requested is \$2,662,700 and this is a decrease of 10% over last year. Mr. Jones referred to page 238 of the budget. He said that the word Research is really a mistake in terminology. He said this indicates more federal funds. He said Investigations under Research is in actuality research.

Mr. Jones said the three sections under Management (Utilization, Education and Economic Development) are straight state funds. They support functions not authorized under PR. He said there was a discrepancy in the amount authorized. In order to match monies they had reduced Utilization to the very maximum they could. Management is \$139,400 which is approximately \$120,000 reduction. He said they had done a very careful bookkeeping analysis of what could be funded under PR.

Mr. Fink asked if there was a big amount of savings in the adjusted overtime. Mr. Jones said yes, what happened when the overtime came up is they were talking about paying overtime through grade 18 so they budgeted for that. This has been changed and only applies to people through grade 14. Mr. Fink asked if there will be a lapse of the overtime that will not have to be paid. Mr. Jones said they anticipate some of this will remain in the game fund. Mr. Fink asked if they will need the salary adjustment in view of the savings in overtime. Mr. Roberts said they will not in the Division of Game. He added that this money will be distributed by Budget and Management.

Mr. Haugen asked about the position of Administrative Assistant shown on page 237 of the budget. Mr. Jones explained this is a lady at headquarters who handles all the accounting and paperwork.

In answer to Mr. Fink, Mr. Jones said one of the big problems they have is in the Management area

more than the Research area. He said the big cut is in operating funds -- they are left with personnel in tact and primarily operating funds were cut. He said consequently they will not be able to carry out the programs. Mr. Fink asked if there had been any explanation in the cuts the Governor made. Mr. Jones said he did not know. Mr. John Andrews, Budget and Management, said he did not have the explanation with him but would furnish this for the committee.

Mr. Hohman referred to a newspaper article on overtime in the Department of Fish and Game. Mr. Huizer said the Association trying to obtain overtime is only speaking for a certain number of employees. He said they are trying to come up with solutions on all Fish and Game employees.

Mr. Roberts told the committee about one case where an employee worked and did not receive overtime. This employee brought suit against the state and the courts ruled in his favor. Mr. Fink asked if the State had appealed this. Mr. Roberts said he had submitted all the correspondence to the Attorney General. The committee discussed this overtime problem. One suggestion is a large increase in lieu of overtime. This approach is similar to what was done in the Department of Public Safety. Mr. Ditman pointed out that this would not clear them in the eyes of the law -- an employee could still sue the state and collect at this higher salary.

Mr. Huizer spoke on King Crab Marketing. He said there expenditure level is \$100,000 but they are not taking in quite that much. He said the Board submits an annual financial statement and also an annual operating report. Mr. Haugen asked the gross value of the product. Mr. Huizer said \$14.3 million was paid to fishermen. He added that the Board will adjust their assessment to carry the program out at its desired level.

DIVISION
OF
PROTECTION

Mr. Weberg, Director of the Division of Protection, spoke on his budget. He said the Governor's allowance of \$1,988,000 for fiscal year 1972-73 will result in a decrease of service and resource protection of between 30 and 50 per cent as was provided in fiscal 1970-71.

Mr. Wright entered the meeting.

Mr. Weberg said there are several primary reasons this will occur -- inflation, salary increases, overtime policies and inadequate operational funds. Inflationary increases are consuming an additional considerable percentage of their operating budget annually.

Mr. Weberg said salary increases during the past few years have resulted in a greater part of the budget being required for salaries with a subsequent decrease in operational funds. He said they anticipate only 134 months of temporary help in fiscal year 1973 as compared to 249 man months in fiscal year 1971. With the new overtime requirements this means they will have about 45 temporary employees for a period of two months, to assist in providing protection for the commercial fisheries, sport fisheries and game. As a point of comparison in pre-statehood days the Fish and Wildlife service used well over 45 temporary employees on the commercial fisheries in Southeastern alone.

Mr. Weberg added that for a number of years the permanent protection field staff has voluntarily donated to the state an average of 60 to 70 hours of overtime per month. This voluntary overtime resulted in an increase in service to the public and resource protection of about 30 to 40%. With the advent of the state overtime policy last year the hours they can allow the officers to work are greatly restricted. The policy stipulates that they must pay, either in cash or in compensatory time off about half their staff. The remainder of the staff receives no overtime and this causes serious personnel problems. He said no overtime funds were provided for the current fiscal year or are anticipated in the Governor's Allowance for FY 73. The net result is a considerable loss of service to the public.

The committee discussed the problem of overtime. In answer to Mr. Fink, Mr. Weberg said the projected cost of a range increase similar to what Public Safety did would be \$1,143,500 (this is a difference of \$137,000). He added that the range increase would actually save the state money.

The committee discussed the hiring practices of the Department.

Adjournment: The meeting adjourned at 5:05 p.m.

AFTER RECESS
March 16, 1972
1:30 p.m.

PRESENT

All committee members. Department of Fish and Game personnel in attendance were Wallace H. Noerenberg, Commissioner; Edgar Huizer, Deputy Commissioner, Commercial Fisheries; Ben L. Hilliker, Deputy Commissioner, Sport Fish and Game; Roy Rickey, Director, Division of Commercial Fisheries; C. A. Weberg, Director, Division of Protection; Frank Jones, Acting Director, Division of Game; Vern Roberts, Director, Division of Administration; Rupert E. Andrews, Director, Division of Sport Fish, Alex McRea, Chief, Hatchery Services; and Bob Roys, Director, Division of Fisheries Rehabilitation, Enhancement and Development. Mr. Myrton Charney, Director, Division of Budget and Management, was also present.

Chairman Hohman called the meeting to order.

DIVISION
OF
PROTECTION

Discussion continued on the Division of Protection. C. A. Weberg, Director, referred to Representative Fink's question from the preceding day regarding information of projected cost on overtime and range increases which had been left unanswered. Mr. Weberg stated that the cost of range increase is less than paying 30 hours overtime, and pointed to the Cost Summary hand-out before the committee members. He said the history of overtime in the department for 1970 was 76 hours per man per month. The Cost Summary presented two proposals for one-range and two-range increases. The sums \$1,094,796 (Proposed [1]) and \$1,143,564 (Proposed [2]) represent a projection of range increase for each category in lieu of overtime.

Representative Ditman asked which approach for compensation to employees was the most realistic. Commissioner Noerenberg replied that the two-range increase would result in the elimination of record keeping, if a range adjustment was made for people eligible and not those in the upper levels. He stated that there were many unavoidable overtime situations and the employees must be paid in one way or another; the department is currently using the method of compensatory time. Representative Ditman asked if the possibility existed of employees coming back to collect although they had been moved up two ranges already. Commissioner Noerenberg replied that there may be legal implications involved, and added that this proposal had been previously rejected by Administration.

Representative Ditman made reference to the Department of Public Safety which is presently undergoing a range-increase policy, and asked Mr. Charney whether or not Budget and Management had approved the move. Mr. Charney answered that the Department of Public Safety's program was different; they do have a two-range increase, but one range only is for over time while the other is for a 40 hour week which they

must fulfill. He stated that the program saved money in that department and was a reduction in budgeted expense. He added that Budget and Management thought the law and the Fair Labor Standards Act still applies. He said that Congress is now considering extending FLSA and will include all state and local government employees, no matter what their classification.

Representative Ditman asked if the Bogenrife case decision (Bogenrife vs. State; Mr. Bogenrife is demanding over-time compensation) which is now being appealed by the state, were not changed, wouldn't the court order the department to pay everyone else, even if they were not mentioned in the suit. Mr. Charney replied that it was possible.

DIVISION
OF
COMMERCIAL
FISH

The Division of Commercial Fisheries was the next subject of discussion. Mr. Roy Rickey, Director, stated that the division has 118 employees from Adak to Ketchikan. \$200,000,000 per year is the wholesale value of their product. For 1970, the harvest figure was \$98,390,000.

Mr. Rickey said 76 technical people were employed by the division: statistical people and both management and research biologists. He explained that the division is broken into units of regions, each with a research and management section. He noted one new headquarters designation, two research division headquarters and two management headquarters.

He stated that federal programs have been worked into the budget, and that their budget request is essentially a maintenance budget.

Chairman Hohman noted that the 1972 authorized was \$4,274,000 while this year's request was \$3,763,600. Mr. Rickey said that Headquarters was now a separate entity.

Chairman Hohman then asked if the transfer of eight people to Rehabilitation and Enhancement explained fully the reduction in budget figure. Mr. Rickey replied yes, but added that they do not budget in Vessels and Aircraft. He said that they were given a budget ceiling to work with, and they had complied with that.

In regard to Federal funds, Rickey stated that they had previously been budgeting for the legal limit, but that Congress had been appropriating less than that; the department is now budgeting more realistically.

Chairman Hohman asked about the \$800 for the Bethel facility modification. Mr. Rickey stated the office in Bethel is totally inadequate, and they had received an offer from a local (Bethel) citizen who, for \$7,000, would build another office on the same site. Mr. Rickey added that by the time the new office was completed, the cost would be \$8,000. He said the contract was not in writing.

Mr. Rickey again emphasized the possibility of federal people with especially constructed vessels to take one week for exploratory fishing. The Resolution had equipment only for trawling.

Mention was made of the floating marine wannigan in the Rehabilitation budget which would allow crews to work in the field, streams, etc. The wannigan and another small barge are presently coming towards their final design and contracting.

Commissioner Noerenberg stated that the restriction on sea mammals was overdone, and that status reports as to health and population of the mammals were misleading and exaggerated. He said the department has been quite active with the Governor and the Attorney General to present the accurate status of the situation.

Commissioner Noerenberg stated that the department was preparing to draft a resolution in order to receive 1 and 1/4 million dollars; that money will be directed into Chinook and Chum areas of the Central and Northern Bering Sea. He said the Japanese catch of Chinook salmon there was very high.

DIVISION
OF
PROTECTION

Representative Fink then referred to the 30% reduction of manpower in the Division of Protection. Commissioner Noerenberg said a decision was made to set a dollar ceiling, and his decision was how to distribute that dollar ceiling between divisions. Commissioner Noerenberg stated that man-hours in the field would go down. Representative Fink asked if there was a direct relation between effective enforcement and man-hours in the field. Commissioner Noerenberg replied that there was, and would depend upon money and priorities. Representative Fink stated that the department would then be decreasing instead of increasing protection. Commissioner Noerenberg said they were stuck at a program level which is classified as unsatisfactory.

Representative Wright asked who cut \$260,000 from the budget. Representative Fink stated that Vessels and Aircraft was taken from Administrative Services which represented part of the cut. Mr. Charney stated that the cut was made by the department and the Governor cut \$29,000 below that.

Representative Haugen asked if Fish & Game money was taken to replace general fund money. Mr. Charney answered yes. Representative Haugen then asked if the raise in license fees was supposed to make up that difference. Mr. Charney said there are sufficient funds now to support the budget but that in the next year they will have to make up the money. He added that the Governor's recommendation was not contingent on a fee increase.

Chairman Hohman then inquired about the Bethel-Kuskokwim Whitefish Program. Mr. Rickey replied that it was going ahead on schedule with hopes of accomplishing even more, but that the officer assigned was being transferred to a new division as of July 1, 1972.

Chairman Hohman then asked if the project had been a worthwhile expenditure of funds. Mr. Rickey said he thought so, but felt that effort should have been put into the market end at the beginning. Chairman Hohman stated that all legislators were concerned with the economic base in Alaska, and a study of the type of program such as this should not have to wait. He said there was an opportunity to lead in that area, and suspected that the Department of Fish and Game was not enthusiastic about the study, and the money was not well spent. He said it was evidenced by the withdrawal of one biologist from Bethel to Anchorage. The Legislature intended that a resources biologist remain in Bethel. Not only should they have looked into fresh-water or whitefish, but also clam, crab and shrimp off coastal areas. Chairman Hohman stressed that this is an economic base potential which is being ignored. Mr. Rickey replied that it was not their intent to ignore the situation, but that the funding level resulted in their being able to do only so much. Chairman Hohman stated that the funding level reflects the dollar need which came from the department itself. Mr. Rickey stated that that was for the Whitefish Program alone; the department had sent another estimate which would provide for a trial trip with trawling gear (\$30,000), which was not funded.

Mr. Rickey stated that he had made an effort to have the federal people who charter halibut boats to make the trip, but they could not fit it into their time schedule. He added that it was still possible to convince them to aid the department if they can find the time.

Chairman Hohman requested that the department send the following written information to the House Finance Committee: a determination of how successful the \$37,500 Whitefish Program is; an indication of what the department would need to go into the area and to study the marine potential in the Kuskokwim Bay area to the mouth of the Yukon; and the level of funding needed for exploratory work.

Mr. Rickey then mentioned the drafting of a resolution to get the government to fund new positions for customs

CORRECTION

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

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officers. This will permit the Japanese to enter at various points. Hopefully the customs stations will be positioned at Sand Point, Cold Bay, Adak and other areas east of that region.

Discussion then centered around the possibility of harvesting herring. Mr. Rickey stated that the Russians do fish herring offshore, while the Japanese use trawlers in winter for herring. He emphasized the potential for America, and stated that surveys were made every spring to pinpoint the time and place position of herring. Commissioner Noerenberg stressed the fact that the herring catch is much larger in metric tons than salmon and shellfish. He added that the herring off Chairman Hohman's district is going to Europe to replace the catches in the Atlantic.

Commissioner Noerenberg stated that Japan had destroyed the usefulness of halibut fishing as they know it; although halibut resources are small, he said the resource to the Arctic people is quite large if it could be harvested. There is a well established market for these fish.

Mr. Rickey said one Kodiak outfit was now trying to process pollack and hake. Commissioner Noerenberg added that the department will try to assess the Kodiak and Central Northern Bering Sea zone and will obtain more information about the pollack catch.

Chairman Hohman suggested that the vessel Resolution could do some of the exploratory work. Commissioner Noerenberg stated that although the Resolution had been sent south to be equipped with stanchions, winches and cables, it had not been equipped with fishing gear. He added that the Resolution had been active for 260 sea-days on high priority purposes and has not had the time to get into exploratory fishing in new areas.

Representative Haugen asked how much juvenile halibut was caught in fish drags. Mr. Rickey replied that there weren't many; some were smothered but some were put back alive. He added that it was difficult for the Resolution to make any evaluation by their own drags without any support, sufficient data and halibut.

Representative Fink asked if Budget and Management had made the determination or was convinced that the use of Fish & Game fund money in this year's budget would not jeopardize future state matching of federal funds. Mr. Charney replied yes.

Representative Haugen then asked about the percentage of sea grant money for the University. Commissioner Noerenberg replied that \$57,000 was in education programs during the current year. \$157,000 was in advisory services, and \$300 in five or six major research projects.

In regard to the sea grant program, Mr. Charney stated there was one state dollar for every two federal dollars.

The meeting recessed at 3:20 p.m.

AFTER RECESS

3:55 p.m.

PRESENT

FISH &
GAME

All members except Mr. Warwick. The following people were present from the Department of Fish and Game: Wallace Noerenberg, Commissioner; Mr. Edgar Huizer, Deputy Commissioner of Commercial Fisheries; Mr. Vern Roberts, Director of the Division of Administration; Roy Rickey, Director of the Division of Commercial Fisheries; C. A. Weberg, Director of the Division of Protection; Rupert Andrews, Director of the Division of Sport Fish; Edgar Hilliker, Deputy Commissioner of Sport Fish and Game; Bob Roys, Director of the Division of Fisheries Rehabilitation, Enhancement and Development; and Alex McRea, Chief of Hatchery Services. Myrt Charney of Budget and Management was also present.

Fisheries
Rehabili-
tation,
Enhance-
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Develop-
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Chairman Hohman called the meeting back to order and asked that they continue the review of the Fish and Game Budget. The Commissioner said they would go over the Division of Fisheries Rehabilitation, Enhancement and Development. He said this was new in the budget and the whole thing was changing rapidly. The Division was developed last year by a bill passed by the legislature. He asked the Director of the Division, Mr. Roys, to go over the budget.

Mr. Roys referred them to page 342 of the budget document book entitled Natural Resources II. He read through the definition and objectives of the Division.

Mr. Roys went on to a summary of the operating expenditures. The Governor's allowance for this is \$674,500. He referred them to page 364 for an analysis of the maintenance level and to page 365 for an analysis of change from maintenance level.

There was some discussion on legislative intent in the passage of the bill which developed the Division. Mr. Roys said the intent had gone through the Governor's desk and was in the form of a half page letter in general terms along with a number of sketches which they already had. It turned out that if they were to follow the sketches, they would have lost all the fish. They discovered this as a result of study and technical knowledge. He added that the intent was also in the form of a letter from one man, Senator Palmer, rather than from the whole body. His division had met with Sen. Palmer from time to time as they were developing their projects.

Hatchery
Services

The Commissioner then asked Mr. McRea, the Chief of Hatchery Services, to go over the budget for that section.

Mr. McRea thought it would be worthwhile to take ten minutes to run through the hatchery construction projects to outline and bring up-to-date before getting into the actual operating budget.

Mr. McRea went over the statute which was established in 1968 and said that it was 1970 before they reached the point where they had the actual design. He stated that two sites were selected, Ft. Richardson and Crystal Lake. He said the Ft. Richardson upgrading was comparatively simple. Following the 1970 selection, they got into the final construction design. In October of 1971 they had upgraded the Ft. Richardson project for producing fish. It is not entirely completed yet, but is an operating and working facility. They had been projecting 60,000 pounds of fish which could mean almost anything in numbers. The first part of the project, which represents now mainly one-half of the projected total, is now operational and producing fish, and they are in the case a year ahead of the engineering consultant's projected schedule. The other half of the project which happened to be a large expenditure of money has gone into final design and in spring of 1971 they had gotten into the first act of the contract. In the process of development, they got into an increasing bind on evaluating costs of doing business. They made deletions on all developments they thought feasible and went to bid before 72. It was still 20+% over funds available, so the only thing they could do was put in a construction deletion schedule on a rebid basis. Those bids were opened on the 10th of March and are to be awarded on March 20. Now they are going to bid on the Crystal Lake project to be operational next fall and planned to have full capacity by winter. He said there were excerpts of the contract that they don't like. To show what they have done, he displayed a map of hatchery layout.

Mr. Haugen asked how much money was involved. Mr. McRea replied that the whole bid they were talking about, not speaking of the advanced rearing pond, was about \$50,000. He went on to say that they now have about 2/3 of the poundage they had anticipated in the first bid. They have between 65-75,000 pounds against the 125,000 projected. This only effects pounds of fish, not numbers. They are going to contract on that basis and they are still on schedule.

The Commissioner said they would have been down to 25% instead of 67% if they had had to use just what they had gotten on the bond issue. He said they retrieved from 25% of the original plan for dealing with two capital construction projects. They planned on \$20,000 federal funding and \$20,000 of Fish and Game Fund. They will be allowed to take \$20,000 from the general fund and \$9,000 from the Fish part of the Fish and Game Fund. The remainder of the \$50,000 is from Eyak Lake. He said that \$88,000 was left in Eyak after this transaction. If they hadn't done this, they would have had just under \$2 million available for construction, so that the total amount of money for construc-

tion would have been \$79,000 short.

Mr. Hohman asked where they were going to build. Commissioner Noerenberg answered that the site was south of Petersburg, and they had to pick up \$79,000 to be able to accept the low bid.

Mr. Hohman asked about the original plan. Mr. McRea said that the original plan to build had anticipated getting by with \$2 million and it had come out at a little better than \$2.5 million. Their engineering consultants figure they are within 10% of the money and so with competitive bidding, they should be able to make it. At this point they went to bid and set up a deletion schedule.

Mr. Fink asked about the military contribution. Mr. McRea said that they were getting the equivalent of a \$2.5 million project from them for \$3.5 thousand plus the advantage of free heat.

Mr. McRea moved into the operating budget. He referred them to page 197 in the budget book entitled Natural Resources I, which summarizes operating expenditures. The Governor's allowance for hatcheries in FY 73 is \$430,900.

The Governor allowed \$55,500 for the project at Kitoi Bay. This hatchery service will become operational July 1.

The Governor allowed \$162,800 for the Fire Lake-Fort Richardson complex which became operational this year. They reduced the budget by \$4,000 from the maintenance level of \$166,800 to \$162,800. This will be a reduction in effort to obtain desirable eggs, prevent making a desirable, but comparatively expensive stocking of fish, reduce the size of a group of fish reared, and things of this nature.

The Governor's allowance for Crystal Lake is \$161,100. In 1972 \$11,400 was authorized. Their original request for FY 73 was \$161,100. However, they considered reductions a necessity and thought the largest gains could be made by reducing overall production at this facility. The Governor's Budget Review Committee had increased their final request of \$130,200 to \$161,100.

He went on to speak on Transitional Support. \$38,000 had been authorized in FY 72. The Governor is allowing nothing for FY 73. The reason for this is that this sub-element is funded from and currently provides initial fish hatchery support to the FY 72 created Stream Rehabilitation and Fisheries Rehabilitation programs. Active participation by Hatchery Services commenced shortly after the FY 72. The FY 73 activities will be pursued to the degree possible within the other sub-elements. He referred them to page 200 for an explanation of maintenance level.

Mr. McRea went on to the section on Administration. He said that the authorization for Fy 72 was \$55,200. He referred them to page 201 for an explanation of maintenance level, and to page 204 for an analysis of change from maintenance level. The Governor's allowance for FY 73 is \$51,500.

The Commissioner said that except for the Division of Habitat Development, which would be discussed at a later date, that concluded the Department of Fish and Game's budget.

[At this point Chairman Hohman referred to SENATE BILL NO. 149, an Act relating to licenses and fee tags. See the minutes in the bill book.]

ADJOURN Meeting adjourned at 5:50 p.m.

HOUSE FINANCE COMMITTEE

March 17, 1972

1:45 p.m.

Present:

All members with the exception of Representatives Ditman and Wright. Frederick P. McGinnis, Commissioner; James F. McClain, Administrative Officer; Donald K. Freedman, M. D., Director, Division of Public Health; Dr. McCabe; Mrs. Fleck; Department of Health & Social Services.

Mr. Hohman called the meeting to order.

PUBLIC HEALTH Crippled Children

Dr. McCabe asked if there were any questions on the Crippled Children's budget request, and explained that the maintenance level is higher than the actual amount requested. The maintenance level was placed at a point that is believed necessary to continue service at 1971 levels, and includes a total increase of \$212,000 over last year's appropriation (\$500,000). The largest single increase of \$140,000 is for physician and hospital fees for crippled children's services. He continued by saying the actual program request is \$648.9, which is below the estimated maintenance level, and will produce a small reduction in the services provided by this program. The reduction will show in the area of out-of-state travel for patients, and some of the changes which the division anticipates will reduce expenditures have already been implemented. Three medical positions were deleted in February, and a month or two of experience will show the reductions in expenditures.

In answer to a question from Mr. Degnan, Dr. McCabe said the reductions in the program are in incurable cancer, eye glass refractions and tonsillectomies in children who do not have ear infections (those children who do have ear diseases will still be covered). The division also hopes to save money by making sure they are utilizing in-state resources instead of sending patients out of state; however, highly specialized services will still have to be sent out of state.

Mr. Hohman asked if these cutbacks were an attempt to stay within a budget figure and Dr. McCabe said yes. It will bring the division approximately 10% below the current level, since \$713,000 is needed to continue the program at the 1971 level. Dr. McCabe showed the committee a graph which illustrated this point. He continued by saying they hope to streamline the program, but it will represent a decrease in service to the public.

Communicative Disorders

Communicative Disorders was the next program category covered by Dr. McCabe, who explained the particular emphasis in this program is on hearing testing; to test and treat children with a hearing handicap, hopefully before they have any educational lag from the problem.

Dr. McCabe stated this is another program where the maintenance level is slightly higher than the requested amount. \$20,000 of the maintenance level represents an audiology program at Mt. Edgecumbe, funded by a federal grant, but listed in the budget as a current program. \$15,000 is requested for temporary clerical positions in Juneau and \$21,000 for travel of the audiologists and their assistants to the bush areas. A speech hearing aide is listed as a new position in the budget, but this position was actually established two years ago by the Department of Labor and has now been transferred into Health & Social Services. It will require general fund expenditures this year, whereas previously the position was federally funded.

Reductions in the budget occur in travel of the staff, which to a certain extent will limit services, continued Dr. McCabe. Frequently, however, other agencies will provide travel, but Dr. McCabe stated that perhaps the audiologists are not traveling as much as they should. Audiometers receive rough treatment in the field and a certain number require replacement; however, they will not be replaced but repaired instead.

Mr. Hohman returned to the new position of speech hearing aide and Dr. McCabe explained how this position was transferred from the Department of Labor. Mr. Hohman then asked if other state agencies employ audiologists and Dr. McCabe said perhaps the military or the Indian agencies employ them, but not the state. Mr. Hohman asked if the position in Fairbanks was funded through Alaska Educational Broadcasting and Dr. McCabe replied it was. This position was funded by the program through a contract, which is scheduled to terminate July 1. The division is looking for federal money to continue this program, as there is a need for the service. Another agency that employs audiologists is the Alaska Treatment Center, a non-profit treatment center in Anchorage, continued Dr. McCabe.

Mr. Degnan questioned the cut in travel funds and Dr. McCabe said the request is inadequate. The maintenance level figure is higher than the request, and the division could use additional funds in this area. The lack of travel funds keeps the staff in urban areas, while the program is needed primarily in the bush.

Child
Study
Center

The Child Study Center is located next to the Alaska Treatment Center and employs professionals to treat mental retardation, explained Dr. McCabe. More recently they have provided services to children with school problems. \$107.1 has been requested, of which \$22,000 is general fund money and the balance provided by federal funds. There has been a \$5,000 increase for rental space, since the Child Study Center has recently moved to more expensive quarters.

Mr. Hohman questioned the treatment provided to villages and asked if the agency is providing any funding for village patient travel to the Child Study Center. Dr. McCabe replied he would send the dollar figure to the committee.

In answer to a question from Mr. Degnan, Dr. McCabe said more emphasis is being placed on mental retardation since many of the serious health disorders of children are coming under control and Indian health centers can deal with problems such as this.

Communicative Disorders

Mr. Hohman returned to the Communicative Disorders category and asked what is done with the records. Dr. McCabe replied the audiograms are sent to the central office in Juneau, including those done by Public Health nurses and school nurses. Those done by audiologists are interpreted by them at the regional centers, and all others are interpreted at the central office. After interpretation, the information is entered into a computerized data registry. In Anchorage the program is a cooperative venture with the Indian Health Service, who provide the treatment. The state's function is mainly to code audiograms for entering into the computer, while the treatment is done by either the Indian Health Service or private sources. Mr. Hohman noted he had heard criticism of the program for this reason, and Dr. McCabe said discussions are now going on as to the proper function of the program. They are not satisfied with it and after the meetings it may be discontinued. He added that perhaps there is not as much service as they would like, but they are still providing a service. Dr. McGinnis stated that they are dealing with one of the most crucial problems with the natives; namely, hearing loss and deafness. Catching the problem early is a great benefit. He continued by saying that money comes in from federal sources and if the need is substantiated, the federal funds will continue to come in.

Discussion followed on the ear disorders in children, which Dr. McCabe said is a special problem in Alaska. Mr. Hohman asked for statistics of how Anchorage compares with Barrow, or the urban areas compare with the rural, in this regard. Dr. McGinnis said he thought some statistics were available from studies made in connection with the Alaska Native Land Claims and the U. S. Public Health Service and would provide the committee with any information he could obtain. He concluded by saying this is a area where we must have vigilance, since hearing loss begins by age 2 and progresses. It affects education, career, and the whole life pattern.

Dr. Wright joined the meeting at 2:15 p.m.

Administration & Support

Dr. McCabe said Administration & Support is his position and no significant changes are anticipated. \$800 is requested for travel to Fairbanks, to provide services previously received from a pediatrician who is no longer there.

Registry for Human Impairments

The Registry for Human Impairments was established in 1969 and funded in 1970 for the purpose of improvement in service and research. No significant changes are anticipated in the program and the funds are used primarily for staffing, concluded Dr. McCabe.

Laboratories Dr. Freedman stated the maintenance level for Administration & Admin. & Support was \$47.9, which is the amount recommended in the Governor's Support budget.

General Health Education The General Health Education program will have lasting value, continued Dr. Freedman. The department has wondered about the effectiveness of programs and he said they turned back to a project conducted 15 years ago relating to hearing loss. Dr. Freedman said the program resulted in a much lower incidence of hearing loss and general better health among the children. He said this is a simplified example of how people can be helped.

General Health Education has the only health educator in the department, employed here for about five months. Health Aides need this type of training, in order to provide better treatment. The budget shows a reclassification of two positions for a change of \$8.3 in the maintenance level, and an inflation factor is listed. The total amount of the maintenance level is \$53.6.

Dr. Wright questioned the reclassification and Dr. Freedman said the department had been recruiting for the position for many months without success. The reclassification from a range 19 to 21 was an attempt to stay competitive with other states. Dr. Wright requested Dr. Freedman to send the following information to the finance committee: (1) the date of the reclassification, and (2) the date the position of Health Educator was filled. Dr. Wright then questioned the education required for this position and Dr. Freedman replied a Master's degree in public health education and two years of experience was required. Dr. Wright then asked if nurses could not fill this position and Dr. Freedman said no. Dr. Freedman, in answer to further questions from Dr. Wright, stated he would send the committee the qualifications for the position.

Mr. Degnan asked the duties of the Health Educator and Dr. Freedman said, for example, to train nurses and others dealing with family planning. This is a private matter, and the Health Educator came up with a report on all types of information to be considered in training nurses to deal with family planning work.

Dr. Wright asked the educational background of the person employed and Dr. Freedman said she was a 1966 or 1967 graduate, and had worked with the Maryland State Health Department in a somewhat similar position. She has never taught in a classroom. Considerable discussion followed on educational requirements for positions, including that of Mrs. Fleck.

Grants to Greater Anchorage Borough Health Dept. Grants to Greater Anchorage Borough Health Department reflect a maintenance level of \$500.0. Dr. Wright questioned if the House Finance Committee didn't recommend a total of \$360.0 and Mrs. Fleck replied that was correct; however, \$140.0 was added by the free conference committee for a total authorized figure of \$500.0 in 1972.

Administration & Support Adminis.

Dr. Freedman stated the general aim and purpose of Administration and Support Administration has to do with a number of matters on developing the public health program -- direction, policies and fund expenditures. It includes work in developing the budget and working with other state and federal agencies to meet requirements for funds. The maintenance figure of \$276.4 includes an inflation factor of 2.5%.

Discussion followed on the function of this section, and Dr. Freedman said more money in Administration would have aided in epidemics, crippled children's services, family planning, etc.

Two changes occur in Administration: Alaska Health Science Library and a Grants Management Specialist and support, for a total change of \$41.1 Mr. Hohman questioned the salary of the new position and Mrs. Fleck replied it was \$16,300 plus \$4,000 for support. They have no one in mind for the position at this time. Dr. Freedman said the Grants Management Specialist would recoup all of his salary and more by bringing in federal grants. Discussion followed, and Dr. Wright stated he was not partial to grant writers.

Dr. McGinnis explained the Department of Health & Social Services does not institute the programs, as such. The programs are the goals of the cities, municipalities and boroughs within the state. They are anxious to provide more and better social services and call on the Department of Health & Social Services to serve as a pipeline through which they can achieve their goals. He concluded by stating the question is do we want to continue this or do we want to stop.

Medical Social Services

Dr. Freedman returned to the budget request, and said Medical Social Services shows an increase in the maintenance level of \$200. Medical Social Workers review all programs and note where social services are lacking. Dr. Freedman gave examples of medical cases where a mental problem actually contributed to the chronic illness of the patient.

Tuberculosis Control

There has been a tremendous reduction in the number of tuberculosis cases in the last 15 years, continued Dr. Freedman. Tuberculosis Control has 60,000 cases in the files, of which about 8,000 are pin-pointed as high risk of a recurrence of TB. Surveillance is being provided for those 8,000, and they are examined regularly. Dr. Freedman said the budget reflects a diminution in cost, but federal grants were sizable up until last year. The state now pays the cost.

Dr. Freedman said that they have reduced TB to 100 cases per year; however, nationally, Alaska is still no. 1. Along with TB control they are trying to do more work in the control of other chest diseases such as emphysema.

Discussion followed regarding a memorandum that the Department had furnished the Committee on the amount lapsed last year by the Department.

HB 504 The committee briefly discussed the Department's supplemental (HB 504). Commissioner McGinnis said that assuming this supplemental is allowed the Department would not feel any obligation to spend it because it was authorized -- they would try to preserve as much as possible.

In answer to Mr. Wright, Mr. Lang said that each budget unit has its own inflationary figure rather than one figure applied to its program.

The committee discussed the operating capability of API.

Commissioner McGinnis expressed concern with the Department's supplemental. He said if there is additional information the Department can share they will be glad to do so. He said that each day and each week that goes by reduces the management capability of the Department to make any adjustments which would be necessary. He added that what happens on this supplemental will make a great deal of difference in a "complex web".

The committee discussed the proposed move of the Department from its present location to the airport. Commissioner McGinnis spoke on the problems that this will cause for the Department. He stated they have taken a survey and this location will mean that approximately two-thirds of their employees will have to make the drive from town to the airport. Their clerical back up has a high turnover and they are concerned with the effect this move will have on this group. He said other alternatives for the relocation have been at Lemon Creek and the support area. He said while they have great concern about this, the Department of Administration considers this their jurisdiction.

Recess: The meeting recessed at 4:00 p.m.

HOUSE FINANCE COMMITTEE

March 21, 1972

8:45 a.m.

Present: All committee members. From the Department of Labor Commissioner Benson, Al Gordon, Dan Knauss, Meredith Downing and Murray Watson were also present.

DEPT. Chairman Hohman called the meeting to order and said
OF the committee would hear testimony on the budget for
LABOR the Department of Labor.

Employ- Mr. Benson said this agency received both administrative
ment money and support money from federal funds. These are
Security programs which originate with the federal government
Employ- passed on to the state on the basis of what the state can
ment use and the needs of the state. Mr. Benson said this
Service particular section of the budget is more or less a
routine entry -- it is very flexible and may be increased
or decreased according to determination of the regional
office of the Manpower Administration. He added that
these programs involve no general fund monies.

Mr. Hohman questioned the \$61,000 general fund monies that had been deleted by Budget and Management. He noted the explanation in their budget summary is that this is deletion of three positions for the outreach program. Mr. Benson said these positions are for outreach stations in Barrow, Kotzebue, and Dillingham. (The budget document indicates that such offices have been established in Barrow, Bethel, Dillingham, Glennallen and Kotzebue.) He stated that they expect the federal government will maintain these. He added that there is no reason the state should have to maintain them. The federal government is expected to pick this up through Operation Hitch Hike. Mr. Hohman asked if the funding for these three positions is secure. Mr. Benson said he felt a stigma would be placed on the federal government if they do not maintain them. This is the only contact they have with the remote areas and these stations, he added. Mr. Hohman asked if this was secure -- he asked if there is a good chance of it being approved. Mr. Benson said he would have to be honest by saying that nothing is secure when they are dealing with the federal government. They expect to have \$118,000 with the Hitch Hike program to provide additional service. He said "I am not going to close them, some how we are going to fund them". Mr. Degnan asked what type of staffing these offices have. Mr. Benson said they have one man in each office on a permanent basis -- the other people are temporary and are funded from another fund.

Mr. Hohman asked if the person in Bethel is receiving \$15,000 a year as shown in the budget. Mr. Benson said yes. Mr. Hohman noted he was listed as a trainee but was receiving full payment.

Unemploy- Mr. Benson explained that this program is from the
ment Social Security Act and it, too, is flexible based on
Insurance the workload. Mr. Hohman asked if there were any
Program problems that need state attention. Mr. Benson said
no. He added that he felt they were receiving adequate
reimbursement from the federal government.

WIN Mr. Benson briefly explained the WIN program which is
also federally funded. He said this program is tied
to the welfare program and only helps people receiving
benefits from AFDC. This is a high support program and
they pay subsistence, training and transportation costs.
WIN is housed in Employment Security for housekeeping
purposes, he noted.

Mr. Hohman said that WIN seems to be building and
MDTA decreasing. Mr. Benson said this reflects the
federal policy. He said that MDTA may go out of
existence in this fiscal year and programs be sub-
stituted to overcome the present shortcomings.
Mr. Hohman asked if this will involve a new program.
Mr. Benson said they are uncertain and this will
depend on what Congress does.

Discussion followed on NABS (National Alliance of
Businessmen). This is a training program sponsored
by businessmen. Mr. Benson said their only connection
with NABS is that Labor provides support for contracts
which need to be written. He indicated that this
program has not really gotten off the ground and all
the Department does is to make sure the contracts meet
the federal requirements.

Mr. Warwick discussed a case that involved a training
program for a firm in Fairbanks. The two employees
hired under this program did not work out satisfactorily
and the company was not reimbursed. Discussion followed
on which program this might be.

In answer to Mr. Wright, Mr. Benson said that one of
the problems with MDTA is they are attempting to train
in a short period of time -- for example, they could
not train an appliance repairman in three months to
a point where he could go out and do a satisfactory
job.

Mr. Warwick asked about the Department's experience in
getting applicants for these training programs.

Mr. Benson said this takes considerable effort -- they have to go out and recruit for applicants.

Mr. Warwick said he got the impression there is sufficient federal money to grow as much as they could. Mr. Benson said "this is not quite true". He said if they could get another \$500,000 they could have a considerable amount of training programs.

Mr. Benson said that he spent one-half of his time soliciting funds from the federal government. He said they thought they knew where money was not being used and they expected to get \$500,000 for various training programs to carry them through the summer. In answer to Mr. Warwick, Mr. Benson said he was referring to manpower training.

WIN

The committee discussed the WIN program. Mr. Benson said in general, the experience has been that the fact that this recipient of welfare can be trained and get a job does something not just for her but for her entire family. He said that the success of WIN is that this person, once off welfare, has a big change in morale. In answer to Mr. Wright, Mr. Benson said that this person would be better off financially. Discussion continued. Mr. Benson said that if the individual is paid in cash there is a certain danger. In answer to Mr. Fink, Mr. Benson said this is because these employees are subject to withholding, unemployment, etc. Mr. Warwick added that the Internal Revenue Service had indicated there will be no more casual labor contracts.

Discussion continued on Jobs Optional. Mr. Benson explained the consortium arrangement. Mr. Hohman asked if Paul Dixon's consortium would be operating in Jobs Optional. Mr. Benson answered that it may be.

Mr. Hohman noted there is \$577,000 for Jobs Regular. He asked if Seattle retains these funds and Mr. Benson said yes.

Mr. Hohman asked for a brochure that would explain programs and guidelines regarding JOBS and NABS. Mr. Benson said that he would provide a breakdown of each program. He noted there may be additional or different programs by July 1. He also added that the Bureau of National Affairs and the government would have a brochure on this.

Mr. Degnan noted that in the outreach program, they do not have clerical or secretarial positions. Mr. Benson said that most of the people do not need a secretary. What little correspondence they do

is with the regional office. Mr. Degnan asked if there are adequate travel funds in this program. Mr. Benson said yes. He said they had tried to provide them with secretarial services from the PEP program but primarily this was for training purposes. He said they have teams in the outreach areas that travel constantly.

Discussion continued on the Seward Skill Center. Mr. Benson said this is for people who have never been in the job or labor market. He said the hardcore employed go there and this takes a long time at a great expense.

Mr. Hohman said that the most successful MDTA program was for clerk typists or secretarial training conducted in Bethel. He said the retention and placement was high. Mr. Benson said he did not know if this was true. Mr. Hohman said he did not know if it isn't true either. He said this was discontinued because there was a reluctance to meet the training program in the bush. The result is they are not getting people adequately trained. Mr. Hohman said a few years ago there was a great need for 12 welders in the area, and the Department of Labor and the Division of Vocational Education refused to address themselves to that particular kind of training. This was briefly discussed and the meeting recessed at 10:00 a.m.

AFTER RECESS
11:05 a.m.

Present: All members except Messrs. Wright and Warwick. The witnesses from the Department of Labor were still in attendance.

Mr. Degnan asked how they coordinate jobs for people for state projects in the communities. Mr. Benson said the construction job is put out on bid and the contractors bring in their key people. He said the contractors would hire as many people locally as they can profitably use. Mr. Degnan asks who determines this. Mr. Benson answered the employer. They merely operate an employment service for the contractor, Mr. Benson added. Mr. Degnan questioned how they would know the skills available in a community, such as Nome. Mr. Benson said he thought everybody in that area who is unemployed would be registered. Mr. Degnan said if people do not know about the jobs they won't register. Mr. Degnan said he did not think it was enough merely to have staff available to record people who come in. Mr. Benson said that a man could

not draw unemployment benefits unless he was registered. They have on file this man's primary and secondary skills. Mr. Benson said they do not go out and recruit and the only way a man could get on the files is if he comes into the local office. Mr. Degnan said he felt that the one position in Nome, the one in Kotzebue and the one in Bethel have to cover a large area. Mr. Benson agreed that it was a handicap for the people who live in the villages to get registered. This was discussed.

Mr. Fink said he had read the report on the Wade Hampton district which stated that 70% of the people would not relocate for a job. Mr. Fink said if this is the case he did not see how the Department could find them a job. Mr. Benson said he thought anyone who did not want to live in the village was crazy.

Mr. Fink said that in conversations he had at the Skill Center it was indicated they only take people who are going to skills that they know they can place. This is with the exception of BIA. Mr. Fink said he questioned training a person at government expense to be a mechanic if there were no jobs for mechanics. Mr. Benson said he should not be talking about the Steward Skill Center as his job was placement. Mr. Hohman, in reference to what Mr. Fink had said, said he thought BIA had its own placement program. Mr. Benson said that the more he got into this the more he found that finding an "employer is finding a jewel". He said they put emphasis on the programs which hire and train.

HIRE

Mr. Benson explained that the HIRE program is a joint program with the Department of Defense. He said they have an office right in the BIA office and Labor does the recruiting, placement, hiring and counselling.

Mr. Warwick and Mr. Wright entered the meeting.

Mr. Benson explained that the STEP program was a low support program and had not been as successful as they had hoped.

Mr. Hohman asked about the program support in Manpower Training Development. Mr. Benson referred to the "seed money". He said the legislature had given them half of what they has requested. Mr. Hohman noted that the House Allowance was a full 100% of their request and the 50% loss occurred in Free Conference. Mr. Benson said that because they do not know what

Congress is going to do. They have to have seed money to provide the matching and Mr. Benson said this is put in as an "insurance policy" so they do have it in case it is needed. Mr. Hohman asked how much was lost as a result of the seed money reduction last year. Mr. Benson said he did not think they anything was lost. Mr. Hohman asked how much federal funding was received as a result of the seed money placed in their budget last year. Mr. Benson did not know but agreed to furnish this for the committee.

Mr. Hohman noted the request of \$500,000 for MDTA. Mr. Benson explained this is for Manpower Training Division or Jobs Optional. Mr. Benson added that they were trying to get more money from Washington. He pointed out that they have hardly any funds in Youth Employment and as a result there may be many young people who will not have jobs this summer. Mr. Hohman asked if funds were obtained would this breathe like back into the AFN training program and Mr. Benson said yes. Mr. Benson indicated the people in charge of the AFN training program have done an outstanding job. Mr. Hohman said it was his understanding they were closing this out this week. Mr. Benson said they are trying to push this closure back.

Mr. Warwick referred to his experience with a training program saying that this was a dismal failure. Mr. Benson said he did not feel this meant the programs weren't working just because of one instance.

The Committee discussed the PEP program. Mr. Benson pointed out that these grants go to the Governor's office. Mr. Wright noted the experience of the Anchorage School Board in this program

Recess: The meeting recessed at 12:02 p.m.

AFTER RECESS
1:35 p.m.

Present: All members except Mr. Wright. The witnesses from the Department of Labor were still in attendance.

Administration and Support Chairman Hohman called the meeting back to order and requested they continue with Administration and Support. Mr. Hohman noted there were no changes in personal services. Mr. Benson noted this is a maintenance budget with an increase in travel. There were no committee questions.

Occupational
Safety

Mr. Hohman noted there was quite a change in the Governor's 1973 Recommended and the Authorized 1972. Mr. Benson said there is less money expended in the general fund. This increase represents a federal money and comes about because of the enactment of the Occupational Safety Act. There are two agreements under this act -- the 18H agreement and the 18B agreement. The 18H agreement is a 90/10 grant and the 10% state can be in-kind. The 18B agreement is a 50/50 match Mr. Benson added. Mr. Warwick said it was his understanding that if the state adopts something as stringent as this act enforcement will be left in the state's hands. If the state does not adopt this then the federal government will enforce the act. Mr. Warwick asked if this is adopted will the federal government pay for enforcement. Mr. Benson said they will on a 50/50 basis. A lengthy discussion followed on this act and how it would apply to individual contractors.

Workmen's
Comp

The committee then went into a discussion on Workmen's Compensation. Mr. Fink asked if Mr. Benson was satisfied with the speed in which these claims were paid. Mr. Benson said no. Mr. Fink then asked what is being done on this. Mr. Benson spoke on the problems. He said the employers have not submitted their reports on a timely basis to the carriers. Mr. Benson said under the provisions of the act they have introduced this will speed up these requirements. Mr. Benson said they also have a problem of getting the reports from the doctors. Mr. Benson said one of the ways they are attempting to solve this time lag is that they have made arrangements with the hospitals to notify Workmen's Comp of industrial injuries. This has been working more successfully in Anchorage. Mr. Benson said they have put on a man in the Second Insury Fund who will visit the injured person, the hospital and the employer in an attempt to speed up the process.

Mr. Fink asked how long it takes before a hearing is set for a controverted claim. Mr. Benson said this depends on the nature of the controversy. He added that within the limits of the budget they attempt to hold hearings on controverted claims no less than once every two months in Ketchikan, Juneau, Anchorage and Fairbanks. He said that last year in Anchorage and Fairbanks they held hearings every month. He noted there is quite an expense

because each member of the Board receives \$85 a day. Mr. Fink asked, under the existing law, how long does the employer have to file a notice of injury. Mr. Benson answered 10 days. Mr. Fink asked how long until the insurance is paid. Mr. Benson said this is to be done "with dispatch". Mr. Fink asked if the penalty for late payments are uniformly assessed. Mr. Benson answered yes. Mr. Fink asked if the improvements that the division was doing would make workmen's comp satisfactory. Mr. Benson said they do expect that this will improve things. He added that he did not believe this would assist as far as controverted claims were concerned. Mr. Fink asked if they have an investigator for controverted claims and Mr. Benson said no, this is done administratively primarily by review of the files. Mr. Fink asked how many people are collecting workmen's comp -- how many people are they dealing with. Mr. Benson said they are talking about 300 people a month (this is a constant figure). Mr. Fink asked what percentage of these people start collecting within the statutory time. Mr. Benson said he would have to check this figure. This was briefly discussed and the committee recessed at 2:35 p.m.

Recess:

AFTER RECESS

3:10 p.m.

PRESENT Representatives Wright and Warwick were present. In addition, Mr. Carl Koutsky, Acting Director of the Division of Mental Health, and Mr. McLean, Administrative Officer for that Division, were also present.

HEALTH & SOCIAL SERVICES Mr. Wright called the meeting to order and stated that the budget for the Division of Mental Health was under discussion.

Mental Health

Mr. Koutsky said that the Governor's allowance for FY 73 is a total of \$7,324,000. Their original request had been \$7,527,000. A reduction had been made in their Retardation Program. \$150,000 was in the contract with Hope Cottage to bring retarded citizens from Alaska, who are at Haven Acres in Salem Oregon, back. The number of these retarded citizens is 44. In the past Alaska did not have facilities to care for this particular category of mental health. Mr. Koutsky said that they had reduced the contract at Haven Acres when they put the \$150,000 into Hope Cottage.

[Mr. Degnan arrives.]

Mr. Koutsky said they weren't sending people to Haven Acres anymore. He said that last year they had 68 citizens there and now there were only 44. He said there are 18 at Hope Cottage, and others at API and Harborview.

Mr. Wright asked where they were getting money to reimburse Hope Cottage. Mr. Koutsky said they were getting it by reducing funds they have to give to Haven Acres. They take from Haven Acres where the money is budgeted and move that to support Hope Cottage needs. He said they couldn't see it in the budget since it became effective after the budget was completed.

Mr. Koutsky said that other cuts were in personnel, specifically in clerical and housekeeping staff.

Mr. Wright asked how many new people. Mr. McLean said there were five at Harvorview and one at API.

Mr. Wright asked if the capacity wasn't down at API. Mr. Koutsky said they were down to 60-65% right now. Usually it is between 70-85%. Mr. Koutsky said they had twice as many admissions, but they were on shorter term. They try not to keep them in at all if it is possible. They have a number of out-patients.

Mr. Wright asked if it was (API) a general hospital. Mr. Koutsky said that it wasn't.

[Commissioner McGinnis, of the Department of Health and Social Services, arrived.]

Mr. Wright asked about drug and alcoholism programs. Mr. Koutsky said that he felt a drug program should be started at API. He said there is an alcoholism program now, on a voluntary basis.

Mr. Wright asked the average daily costs per patient at API. Mr. Koutsky said about \$50.

Mr. Wright asked about mental health centers, and how much they cost per day. Mr. Koutsky didn't know. Mr. McGinnis said that the health centers were not prepared to deal with anyone overnight. They were strictly for out-patients. Mr. Koutsky said that right now API is the backup for them.

[Mr. Hohman arrived.]

Mr. Wright asked whether they had prepared a fiscal note for the Alcoholism Bill. Mr. McLean said the Office of Alcoholism did.

[Mr. Fink arrived.]

A discussion of the Alcoholism bill followed.

Mr. Warwick said it had been called to their attention that there were several problems as to accounts receivable from API. Mr. Koutsky said they had no real way of collecting money. No test case has gone to the Attorney General to support them in bill collection. Mr. McLean said they lost about \$500,000 a year through non-collected bills.

Mr. Warwick asked how much was in arrearage. Mr. McLean replied \$8 million to \$10 million. Mr. McLean said that patients were to pay insofar as they were able. However, they have no staff to check it out, so they have to take the patients word. This is what constitutes it.

Mr. Fink referred them to page 216 of the budget book entitled Health I. He asked if that meant the use of facilities is less than what it has been in the past. Mr. Koutsky said the use was more, but the amount of time spent in the hospital is less. He said they have almost twice as many patients.

Mr. Fink asked whether the General Hospital in Valdez was something they would like to keep. Mr. Koutsky said they'd like to sell it. Mr. McGinnis said it was nothing but a headache, and they would like out of it on any responsible terms.

Mr. Fink asked income related to expense. Mr. McLean said the income was \$30,000 a year compared to a cost of \$160,000.

Mr. Wright asked if there was a physician at Valdez. Mr. Koutsky said he had a part-time contract with them.

Mr. Fink asked about revenue sharing. Mr. Koutsky said they weren't getting any. Mr. McGinnis said that it may well be that Valdez did get revenue sharing money, but as far as he knew, there was no relationship except that it was computed on the number of beds.

Mr. Fink went on to another problem. He said that Lodge Inc., janitorial service, appeared to him like a relatively economical way to handle the problems they have in that area, but the people have a hard time getting a contract with the State because they can't do the janitorial work at the same price. It seemed to him that since they were wards of the State anyway, that the State Division of Supply should make some provision that they could pay a higher fee to Lodge Inc. for janitorial services.

Mr. Koutsky said it had been his understanding they had all the contracts they could handle. Mr. Fink said he had been out there in December, and they had said they couldn't make the bids because they weren't competitive, and they felt something ought to be worked out. Mr. Koutsky said he would check into it.

Mr. Fink asked about funding for the mental health centers, and Mr. Koutsky said they were actually underfunded in each of the three areas.

Mr. Wright asked that a narrative be submitted on what they recommended to address themselves to accounts payable.

RECESS

Meeting recessed at 4:25 p.m.

HOUSE FINANCE COMMITTEE

March 24, 1972

8:50 a.m.

Present: Messrs. Hohman, Fink and Ditman. Commissioner Noerenberg, Mr. Robert, Director of the Division of Administration and Mr. Blum, Chief of Habitat Development, Department of Fish and Game were also in attendance.

DEPT. OF
FISH &
GAME
Habitat

Chairman Hohman called the meeting to order and said the committee would continue discussion of the budget for the Department of Fish and Game. The division under discussion was Habitat Development.

Mr. Blum said there are four levels of funds -- 3 federal and 1 general fund. Mr. Blum said there is a jump in Water Planning from \$17,900 to \$46,300 but this is still maintenance because they have consolidated in one source that which has been spread out over three funding sources.

Mr. Ditman asked if it was within the scope of this program to become involved in the water problem in Valdez. Mr. Blum said this would be better handled by Environmental Conservation but added that his agency could assist.

Commissioner Noerenberg said that in addition to Mr. Blum's other duties he has had to coordinate Northern Alaska's Land Use Plan Development. Mr. Blum said they are to recommend to the Joint Federal State Land Use Planning Commission which corridors through native withdrawal lands (as a result of the Alaska Native Land Claims bills) should be provided for access for the purposes of recreation, hunting and fishing. Mr. Blum said another problem is getting access through private lands. He added they will have to spend federal money for this. Mr. Ditman asked if they have the power to take this access land if they do not wish to sell and Mr. Blum said no. In answer to Mr. Hohman Mr. Blum said they have a surveyor plus an engineering section in their division. He said he is not sure how the surveying work will be worked out on the native lands as this has not been decided yet.

Mr. Wright entered the meeting.

The federal government or the state would be taking

over cabin sites that do not have title or property rights and these cabins would be available for public use and the committee briefly discussed this.

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

AFTER RECESS

1:45 p.m.

Present: Messrs Hohman, Fink and Warwick. Representative Ferguson; from the Department of Administration, Deputy Commissioner Thomas, Mr. Jeffers, Mr. Cole, Mr. Carruthers, and Mr. Engen were also present. Mr. Overstreet was also present.

DEPT. Chairman Hohman called the meeting to order. The
OF committee decided to discuss the scholarship loan
EDUCATION program (listed as Student Aid).

Student Mr. Carruthers explained that the Legislative Budget
Aid and Audit Committee had given them permission to
overexpend. Mr. Cole said they are about \$48,000
over their authorized amount of \$1.5 million.
In answer to Mr. Fink, Mr. Carruthers said there
are 184 people on the waiting list asking for
\$303,000. Mr. Carruthers said they had checked on
a sample of 40 University of Alaska students and
85% of these students are "hanging on their toenails"
waiting to see what will happen with this program.

Mr. Thomas said that Mr. Carruthers is on loan from
a federal program. Mr. Thomas said that they had
originally requested this be held at a maintenance
level. The Governor's Budget Review Committee
increased this to a total of \$4 million which includes
other grant in aid programs which Mr. Thomas said
they did not have much detail on. Essentially,
\$3 million was for continuation of the student loan
program. The \$3 million is for the revolving fund
and is the best estimate of what the demand could be.

Mr. Fink said that one of the members of the Board of
Regents indicated this program is only "helping rich
people". He asked if there was any basis to this
statement. Mr. Thomas said no. He said in a Budget
and Audit Committee it was made clear to them that
the financial status of the parents was not to be a
consideration. It was to be based on the need of
the student under his own resources. Mr. Thomas
added that possibly this conclusion could be reached
because the more affluent families place a higher
emphasis on education. Mr. Hohman added that they
had been provided with a breakdown of loans by
geographic areas and it was indicated only a few
loans came from the rural areas; however, he noted
there are other forms of support available to these
students.

Mr. Fink asked if anyone had asked for a list of the loans. Mr. Carruthers said no, not by individual names.

Mr. Fink asked if the loans had been broken down to show which ones were for career education. Mr. Carruthers said this figure is 9.1% but pointed out this does not include students in junior colleges.

Mr. Fink asked what they anticipate to be their need for this program. Mr. Thomas said \$3 million. In answer to Mr. Fink, Mr. Thomas said he thought \$3 million would be sufficient. He added that they had gone over this quite thoroughly. Right now they have demands of \$2 million plus and then they would have to consider the summer programs. Mr. Carruthers said that a lot of the loans this year were granted from the prior year's application. He said they expect this year the asking will be more realistic.

Mr. Fink asked about the success of this program. Mr. Carruthers said they are doing a formal evaluation. Out of 40 evaluation forms they have received 38 which give high praise to the program. Mr. Thomas said he had previously testified that he thought this program had the highest state productivity of any education dollars they are spending. He felt this program is doing an excellent job.

Dr. Lind, Commissioner of Education, entered the meeting.

Mr. Warwick asked what Mr. Thomas felt would be the demand for loans if the 40% forgiveness feature is repealed. Mr. Thomas said he did not think this would make much difference. He added that this is a "headache" to administer.

Mr. Wright entered the meeting.

The committee discussed the allocation that only rich people are receiving loans. They requested the committee be furnished a list of the loans by names, amounts and location.

Mr. Wright said that according to testimony in the HWE committee Mr. Carruthers had indicated it was no problem as far as the forgiveness feature was concerned. Mr. Carruthers said he did not say this quite that way. As he recalled he said they could find a way to make this work which ever way the legislature wanted to go.

Mr. Hohman referred to a publication "Need a Lift" and other publications which were not up to date and did not include Alaska's scholarship program. It was noted that most publications went to print before the program was implemented and the agency was attempting to update this information.

Mr. Wright asked about a problem concerning the Tom Thumb Montessori School. Mr. Wright said he thought this problem had been solved last year and had since found out that it was not. Dr. Lind said they had worked with the Department of Health and Social Services to try to figure out how to monitor which schools are their responsibility. He said they had gotten to the question of what is an educational component. Many hours had been spent on this and they tried to use the federal guidelines because a lot of pre-schools are federally funded. The State Board promulgated emergency regulations. At the last Board meeting in March the Board withdrew the regulations feeling that the emergency did not exist. They planned to start from the beginning with appropriate hearings. Dr. Lind said the question with Montessori is that they feel the whole day is educational and that most of the other agencies feel any time above 4 hours a day is extending into day care services and the responsibility would lie with Health and Social Services. He added that it is very difficult in pre-school programs to say what is truly the educational part. He said they will hold their first hearing on this in Anchorage in about three weeks. This was briefly discussed. In answer to Mr. Wright, Mr. Thomas said there has been no disagreement with the exception of the Montessori schools.

The committee went back to the discussion on the student loan program. Mr. Fink said that he hoped next year they would provide the committee with more information on the career students in this program.

The administration of the loan program had been requested at \$60,000 and the Governor's Allowance was \$47,100.

Mr. Charney entered the meeting.

The committee questioned the \$250,000 and the \$750,000 shown on page 929 of the budget.

Mr. Charney explained that they knew there would be an amount of \$1,000,000 needed for assistance to AMU. The first notice of agreement on the land sale had been signed the night before they put "the budget to bed" Mr. Charney said. They had put \$250,000 in the budget for the tuition equalization and the \$750,000 had been shown as other. He added that they knew this total had to be about \$1,000,000.

Mr. Thomas explained that Mr. Carruthers was on loan from a federal program for which they will need a supplemental to pay back this program.

Mr. Wright asked how many applications Mr. Carruthers was handling. Mr. Carruthers said on this year's program they had about 1,600 applications. For the three prior years they had about 1,000 applications. In answer to Mr. Wright, Mr. Carruthers said this is an annual application.

The committee discussed residency requirements. Mr. Carruthers said if a 17 year old student was receiving a loan and during the year his parents moved from the state he would no longer be a resident.

Out of the \$47,100 for administering the program there was \$27,000 in personal services. The committee questioned whether this was an adequate staff to administer a program involving \$3 million. Mr. Thomas said he thought they could pick up the slack for another year. Mr. Hohman asked if another \$1 million is added to the program (making this a total of \$4 million) what kind of burden this would place on the staff. Mr. Thomas said the accounting load would pick up. He pointed out that they have not started the pay back period. There has been some consideration to setting this up on a ledger system. Mr. Cole said that Legislative Audit has discussed this informally with them and it was their (Legislative Audit) feeling this would be a better approach. Mr. Cole added that they are presently being audited by Legislative Audit. Mr. Hohman said he recalled a memorandum that came from the Department of Administration on this.

It was noted the \$27,000 in personal services would provide for six months clerical help. There was \$1,000 in equipment, \$3,600 in travel, \$1,100 in

contractual services, \$400 for office supplies and materials and \$14,000 for printing. Mr. Carruthers added that the agency has a number of forms which must be printed.

In answer to Mr. Warwick, Mr. Thomas said that Mr. Carruthers was "borrowed" from Planning and Research section. He added the supplemental is almost imperative and if they do not get this they will have to make readjustments within the total.

Div. of Libraries The committee then discussed the Division of Libraries. Mr. Engen, the Director, spoke on his budget. He said they were trying to move into further implemental of the coordinated regional libraries. This year's budget had the first regional library coordinator in Fairbanks. In the budget there is a southcentral regional library coordinator and this position is located in Anchorage. Mr. Engen said this person is vital to proceed with the cooperative approach.

The committee discussed page 37, grants for construction of public libraries. Mr. Engen said the present state matching requirements are 10 per cent of the total project costs for communities under 2,000 population and 40 per cent for larger communities. Mr. Fink noted there is a proposal for \$850,000 for capital programs and there is \$189,000 shown on page 37. He said even with a 50 per cent local match this would still fall short. Mr. Engen agreed. He added they hope to make realistic strides toward this goal. Mr. Engen said that both the major libraries in Fairbanks and Anchorage should be considered resource libraries. They are serving people outside of the taxing jurisdiction and for that portion there should be state participation. He added his guess would be this would be about 20% but they have not come up with this figure yet.

Mr. Engen noted his total operating budget is \$584,000.

Mr. Engen spoke of the success of the Bethel library. Mr. Hohman asked about the Rasmussen grant to Bethel. Mr. Engen said this is in the process of being implemented. He said the books will be coming in this summer.

Adult Basic and Continuing Education Mr. Thomas said there are four programs in this budget unit -- Adult Basic Ed, General Education Dev.,

Community College Support and Fire Service Training. Mr. Fink noted there was a substantial cut in the Community College Support. Mr. Cole said that this came about as a result of shifting programs. Mr. Warwick asked if the maintenance for community colleges is what they applied for. Mr. Thomas said he thought they had applied for quite a bit more. Mr. Thomas pointed out these are non-credit programs.

Mr. Hohman asked where the training for the 100 VISTA people is in the budget. There is \$67,500 for VISTA for FY 73 (see page 192).

Mr. Hohman said that Paul Dixon and Associates were involved in training courses and asked where this funding comes from. Dr. Lind said they may be on contract with the University but it was not through their Department. Mr. Hohman said he would like to know the mechanics of getting funding under this program. He wanted to know the extent of applications for Adult Basic Education funding. He wanted to know what Paul Dixon and Associates is requesting and the possibility of their receiving this money. Mr. Warwick noted that last year they had appropriated an additional \$400,000 for community college support and he wanted to know what this was used for. Mr. Thomas said this went into the general program and they funded more of the requests. Mr. Hohman asked who makes this decision and Mr. Thomas said this is worked out between the community colleges and the Division of Vocational Education. The committee referred to the Free Conference Committee report on the FY 72 budget page 12. They requested the Department to provide them with a list of the proposed projects together with the amounts of funding required contained in the Department's original request, the Governor's Revised (the program maintenance level), and the \$350,000 of projects with related amount funded as a result of the Free Conference Allowance.

Recess: The committee recessed at 3:55 p.m.

HOUSE FINANCE COMMITTEE

March 28, 1972

1:50 p.m.

Present: All members except Mr. Ditman and Mr. Wright. From the Department of Education, Commissioner Lind, Deputy Commissioner Thomas, Mr. Ridle, Mr. Harper, Mr. Cole, and Mr. Jeffers were also present. Mr. Overstreet was also in attendance.

DEPT. OF EDUCATION Chairman Hohman called the meeting to order and there was a brief discussion on HOUSE BILL 706 (an act appropriating \$365,040 to the Dept. of Education for the profoundly deaf) and HOUSE BILL NO. 467 (providing incentives for continuous year-round school programs). Mr. Hohman requested that the Department be prepared to give testimony on these two bills at the meeting on March 29, 1972.

Mr. Haugen asked for a brief recap of the earlier discussion on the instructional unit figures and this was briefly discussed.

Regional Schools & Boarding Home Program Mr. Harper explained the major program in this division is the Boarding Home Program which they are currently operating for 1,200 students in 26 communities. Most of these are for high school students; however, they do have some special education elementary students. The other programs are the dormitory operation (they have two operating at the present time). The Director's Office involves two people -- Mr. Harper and his Administrative Assistant. This office is located in Juneau as well as the correspondence study.

Mr. Harper said next year they anticipate to expand to 1,300 students in the Boarding Home Program. The Bethel Dormitory will be for 192 students. Mr. Harper explained that this facility has been completed but it has not been accepted by BIA from the contractor. In answer to Mr. Hohman, Mr. Harper said this had not been accepted because there were a few items on the punch list which the contractor had not completed. Water had gotten on some of the carpeting and ruined it and as a result there had been a power failure. BIA has forced the contractor to repair this before they accept it. At the time it is accepted, it will be turned over to the Department of Education.

Mr. Harper said that in the future they have dormitories lined up for Tok, Ft. Yukon and Dillingham. He said this is in the President's budget and they are now holding hearings on this in Washington. This would probably be for the Fall of 1973 and will possibly include Sitka and Fairbanks, Mr. Harper added. This will double their dormitory facilities.

Mr. Haugen asked if they were still planning a dormitory for Sitka. Mr. Harper said when they had started out this dormitory had been planned to support 196 students and it is now down to 100 students. These students will come from Southeast. Mr. Haugen asked if they were aware of the new high school at Kake. Mr. Harper said at the time this was planned they did not anticipate a central high school on Prince of Wales. Mr. Haugen said he realized that Sitka would be upset if they lost a public works project. He felt the Dept. of Education should find out what the people in the area want. Mr. Harper gave the background on this. In 1967 they planned to expand Mt. Edgecombe and they had \$22 million projected for the restoration. At that time the input from the Interior and Northern areas indicated they would prefer to build smaller dormitories in the Interior. He said this was reprogrammed and what Sitka was to receive was a "consolation prize" for not getting the big project. Mr. Harper said he did not know if it was possible to stop it. Mr. Haugen said he felt they should face up to the problem. It was noted the native students want schools closer to their homes. Mr. Degnan asked if this problem had been discussed at the federal level. Mr. Thomas said yes, and their feeling is that if they have to go back to Congress and reprogram it they stood a good chance of losing it. Mr. Thomas said this is one of the reasons that BIA is reluctant to back out. Mr. Harper added that the Department has done a turn about on how they view regional schools in comparison to their view in the middle 60's.

Dr. Lind said this issue came up recently with reference to the Fairbanks Dormitory. The Tanana Chiefs and the Fairbank Native Association said they were not sure they wanted a dormitory in Fairbanks. Instead they wanted to build two small high schools in the Tanana Valley. He said this had been discussed with BIA and they felt if they had to go in and make this request to Congress, Congress might say "forget it". Dr. Lind said personally he would like to see a number of these dormitory projects reprogrammed. He said he did not know if the Sitka commitment could be changed.

Mr. Warwick asked the location of the Fairbanks dormitory. Mr. Harper said this is a block from Lathrop High School. This would be for 9th through 12th grade students coming in from the rural areas. In answer to Mr. Warwick, Mr. Harper noted the state has the tuition responsibility for these students. This would be in lieu of taxes in the Fairbanks area. This contribution is the same for students from the military bases.

Mr. Thomas spoke on the dormitories. He said as they get into more and more of these dormitories they feel the Legislature will look at the costs, cut them in places that will force the Department to operate substandard programs or close them down and just have "monuments" left. Mr. Thomas said this is one reason they are concerned about the number of dormitories. They are afraid if they become substandard programs the people will keep their kids home. In answer to Mr. Degnan, Mr. Thomas said the little homes are cheaper to operate. Mr. Degnan asked what the Department would recommend as the approach to solving these problems. Mr. Thomas answered probably the reprogramming of BIA commitments for dormitory construction and the reprogramming of Chapter 170.

Dr. Lind said he felt the Fairbanks Dormitory could be "very well utilized" but he had "reservations about the Sitka dorm". Mr. Degnan asked if in view of this they were going ahead with this. Dr. Lind said as they look around the state they are looking at student projects that are probably not going to be what a lot of the people want. Mr. Degnan said Mt. Edgecumbe has a big turnover and he did not feel this is a very good situation.

Mr. Hohman said that Mr. Thomas had indicated the smaller cottage dormitories are a cheaper way to meet the needs of the students. Mr. Thomas said in this situation they were talking about a "live in couple" and this would be considerably cheaper.

Mr. Hohman asked what the additional impact at Bethel will be. Mr. Harper said this will be about 192 students. He said he thought they had about 150 students and would like to be around 150 to 160 students. Mr. Hohman said then they would pick up around 200 kids for a total of 350 students, the difference being the students from town.

Mr. Hohman asked about the increase in the correspondence study category. Mr. Jeffers said there is an increase in students. This is up to about 700.

In answer to Mr. Hohman, Mr. Thomas said the correspondence courses are developed in the unit itself. The commodities include books and film strips which are sent out. Mr. Thomas added that the kindergarten courses are being developed by teachers in Anchorage. Mr. Hohman asked if these teachers were state employees and Mr. Thomas said no, the state purchases these courses. This operation has only been in operation one year, Mr. Thomas added.

Dr. Lind said there was a problem concerning their revenue aspects shown on page 61 of the budget. Mr. Harper explained that their budget at one time was funded entirely by Johnson O'Malley monies. After Alaska's oil legacy the federal people decided the state should participate. Since that time they have picked up 80% of the domestic cost of students and the state has picked up the other 20%, Mr. Harper added. The budget was projected on this 80/20 ratio. Mr. Harper said the budget reflected this to be about \$4,400,000. Since that time they have had negotiations on this and they find this amount will be closer to \$4,120,000 -- this is short about \$275,000. In answer to Mr. Hohman, Mr. Harper said that last year they had received \$3,300,000 in Johnson O'Malley monies instead of the \$3,500,000. This was a 5% cut because of a "last minute shuffle". Dr. Lind said the combination of these two things will effect them rather severally. Dr. Lind said there are several things they could do. They could try to increase the Johnson O'Malley monies and this would be extremely difficult. The other option would be an increase in the general fund. The third option would be parental participation for those students coming in from certain parts of the state whereby the parents would pay approximately \$2,000 per year. Dr. Lind said the other option, which would be undesirable, would be not to open one of the dormitories. The newest dormitory would be at Bethel and Dr. Lind said if they did not open this the students would have to go somewhere else. Mr. Thomas added that they had also considered the use of student help but they ran into statutory problems on rates of pay. The Division of Personnel would not allow them to use student help except at \$4.65. This was briefly discussed. Mr. Fink referred to the statute on this regulation. The staff was instructed to write to the Division of Personnel on this problem.

Mr. Harper said he would be the first to admit that dormitories are not the "best place in the world for kids". He said they are trying to establish a staff pattern. Mr. Harper said there is a high suicide rate and he is very concerned about this.

Mr. Joe LaRocca entered the meeting.

Mr. Hohman said this division would be deficient \$493,000.
Mr. Harper answered this would be the minimum.

Mr. Hohman asked, if the Bethel dormitory did not open, would the \$950,000 allocated to open this dorm be in jeopardy. Dr. Lind said he did not feel they could ask for money to open this dorm if they were not going to open it. He felt they would probably receive only about \$250,000 to \$300,000.

Mr. Warwick asked about the PL 874 funds and a brief discussion followed regarding State Operated Schools.

Mr. Harper said they had received some money from parents for board but there is no regulation on this. It is strictly in good faith. Mr. Harper asked if Mr. Thomas would explain a plan he had proposed several years ago.

Mr. Thomas said he had suggested that parents with students in the Boarding Home Program or dormitories would pay to the Department of Revenue an amount equal to four times their state income tax and not to exceed the cost of the care. If a parent paid no income tax, then he would pay nothing for his children. Mr. Thomas said the State Board and the Department of Revenue did not like this plan.

Mr. Hohman said that one way to reduce the cost would be to get into a small cottage dormitory operation. He said they had been trying to do it in Bethel but haven't had any starting monies. Akutamuk Cottage is the only case that they have done it. The program subsists on whatever funding is in the Boarding Home Program.

Mr. Hohman said even those who didn't contribute under the fund did contribute by providing moose meat and fish and vital parts of the cottage diet. He said that was as real a contribution and represented dollars. Mr. Hohman said he thought the village should have the responsibility for the cottage.

Mr. Fink asked the percentage of the cost which was local. He said that if the State paid \$150 a month, how much more was required. Mr. Hohman said they could get a rough reading next Saturday when they looked at the books of Akutamuk Cottage.

Mr. Harper stated that they had an arrangement that during the months when they could get food in, the State would pay \$150 per student, and during the three most rigorous months the State pays more. The cost is based on what was provided.

Mr. Harper mentioned the subject of Wildwood. He said that if the State was going to do anything to it through vocational education of regional schools, they had two, three, and four bedroom houses, and they had planned to use the cottage concept, since they assumed it would be less than the regular dormitory operation.

Mr. Thomas said they were trying to do something to offset the economic impact in Kenai. They had contemplated taking up to 200 students and putting them into such a living situation and sending them to the Kenai school. However, it would cost more than an actual boarding school, about \$2500 per year per student at Wildwood. He said they didn't have room in this budget to put that kind of program into operation. Mr. Thomas said that in view of the number of people getting involved in the operation, they were running out of time to get the operation going by next fall. He said it would require additional General Fund monies. He stressed they don't even have enough money to operate the programs they have, so that left Wildwood out at this point. He said they had analyzed exactly where they could cut and how far and had found it an impossibility.

Mr. Hohman asked what the cost of implementing the program would be. Mr. Harper stated that if they put 200 students there, it would be about \$500,000. They would still have to have a central place to feed the kids and maintenance would be involved and some administration. In group homes, the villages absorbed these additional costs.

Mr. Thomas explained that Education is the only type of agency that can get Wildwood on a no cost basis--on a 30 year use-out basis--so no funds are involved in the purchase. Any other agency would have to pay fair market value. He added that all military reservations in the State were part of the withdrawal by Sec. Morton, so he didn't know where it stood anyway.

Mr. Harper said they had talked about moving part of Mt. Edgecumbe up there, but the federal government has to put \$2 million into the sewage to make it environmentally acceptable, and they would prefer to have them put that \$2 million someplace else.

Mr. Hohman asked the number of additional personnel required to operate the Bethel dorm and academic facility. Mr. Harper said that for the dorm they would need six professionals and 23 classified, and for the academic facility they would need probably 32 professionals and they will have to have a fairly sizable maintenance staff although he didn't have the final figures on it.

Mr. Hohman asked if anyone was moving to meet the housing need the additional staff would create. Mr. Harper thought the SOS had some housing in there, but they had never planned any housing for the facility. He said there were some house trailers available for temporary housing. He said there were four of them.

Adminis-
tration
& Support

Dr. Lind introduced Mr. Jeffers, Director of Instructional Services; Mr. Ridle, Director of Vocational Education; and Mr. Cole, Director of Administrative Services. Dr. Lind said that they would go over the budget request unit entitled Administration and Support. He asked Mr. Cole to give an overview of the budget request unit.

Mr. Cole stated that the total budget requested is \$2,132,900 of which \$982,000 is federal funds. The Governor has allowed \$1,860,000 with federal receipts at \$982,000.

Mr. Cole said that they had the responsibility of administering all state and federal programs that go to district schools. The financial support is administered by this staff. He pointed out that the organization of it this year was not too different from the past. He said that Teacher Certification had moved to Maintenance of Education Standards as had Staff Development, but Administration and Support is still what used to be the Division of Administrative Services. The functions of the three divisions included in the budget request unit haven't changed.

Dr. Lind asked Mr. Jeffers to make comments on instructional services.

Mr. Jeffers said they were trying to enhance the way state and federal funds were expended. They believe their efforts help to better job organization and teaching students what they need to know. He said that the budget as compared to former years is somewhat reduced. Mr. Jeffers said that of the \$378,200 about half of that would be provided by federal funds. \$190,000 is to remain in general fund receipts.

Mr. Haugen asked how many of the advisory commissions were really needed. Dr. Lind referred him to page 196 and said that some of them were required by the federal government.

Mr. Cole said that some of them were necessary for receipt of federal funds, particularly the Vocational Education Advisory Council. He said the Higher Education Facilities Commission was also statutorial.

Mr. Ridle said that in some cases they have combined people so that one commission served many functions. He said that in the case of Vocational Education they spent \$30,000 to get \$900,000.

Vocational Education Mr. Ridle said that the Vocational Education Division was divided into three budget request units this year. Two of them will be discussed at a later date. He said that this particular budget request unit covers the business education, distributive education, consumer education, basic adult education, adult interest education and career orientation.

Mr. Ridle referred them to page 154 of Education, Book I. He said the funds in the BRU were 50:50 match. Basically the monies expended in this BRU are in public administration and new program development. He said that the Division of Voc. Ed. uses most of its money as seed money.

Mr. Warwick noted that in Personal Services they had come down from what was authorized in 1972. He wanted to know why they could get along with less this year. Mr. Ridle answered that a series of things had happened. He said they were in the process of reorganization and are downgrading a number of positions. They are trying to go to performance objectives on all contracts they write.

Mr. Degnan asked if they had performance contracts before. Mr. Ridle said they had tried some last year on an experimental basis. He said that they were in a better position than other divisions because they can measure production a little better.

Mr. Warwick asked if they worked in conjunction with the Department of Labor on any of their programs. Mr. Ridle said there were some in this BRU, but not as many as in the other two.

Mr. Craft, Director of the Division of Vocational Rehabilitation, and Mr. James, the Assistant Director arrived.

Vocational Rehabilitation Mr. Craft said that the Division of Vocational Rehabilitation in the Program Category of Social Services and in the BRU entitled Disabled. He said that his Division is charged with the responsibility of providing professional rehabilitation services to

CORRECTION

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HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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Vocation-
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Mr. Craft said that the Division of Vocational Rehabilitation in the Program Category of Social Services and in the BRU entitled Disabled. He said that his Division is charged with the responsibility of providing professional rehabilitation services to

those disabled citizens determined to have a "substantial vocational handicap" as a result of their physical, mental or emotional disabilities.

Mr. James pointed out that in an effort to make more of the service money available to counselors, they cut back on the number of positions for FY 73 so that professional people are actually less than what was authorized for FY 72. They are allowing \$45,000 per counselor instead of the \$35,000 which was allowed last year.

Mr. Hohman asked the source of grant monies. Mr. James said state and federal. He explained that this year the total is about 66% federal and that next year it would be more like 60:40.

Mr. Hohman said he was looking at the summary part, and it appeared that the State was picking up more than 40%. Mr. James said that was right it was 2:1 this year and next year it'd be close to 1:1.

Mr. Craft read the 1972 Rehabilitation Act which passed the U.S. House of Representatives. Mr. Warwick asked whether it would have a substantial effect on the program in Alaska. Mr. Craft replied that it would effect the programs of all of the states. He said that every three years they develop amendments to the Vocational Rehabilitation Act. They are moving more and more into the severely disabled. He said the major thrust of rehabilitation in Alaska is to the deaf and hard of hearing.

Mr. James said they were conservative in estimating increases in federal dollars. They estimated no less than 1/4 of 1% of the total allotment would go to any one state. Rural rehabilitation is now getting \$200,000 a year from the federal government. However, this will run out.

Mr. Croft said to think of it in terms of operating objectives. He said that 1/4 of 1% comes out at \$2million. He said that the following year the total allotment will be \$950 million and in 1975 it will be \$1,100,000.000.

ADJOURN

Meeting adjourned at 4:50 p.m.

AFTER RECESS

3:40 p.m.

PRESENT All members except Mr. Haugen. The following people were also present from the Department of Education:
EDUCATION Dr. Marshall Lind, Commissioner; Mr. Nathaniel Cole, Director of Administrative Services; and Mr. Louis Ridle, Director of Vocational Education.

Institu-
tional
Manpower
Training Chairman Hohman called the meeting back to order and said they would go into the BRU entitled Institutional Manpower Training under the program category of Social Services.

Seward
Skill
Training
Center Mr. Lind said that Mr. Ridle would give an overview of the BRU and said that it dealt basically with the Seward Skill Training Center.

Mr. Ridle stated that the Alaska Skill Center was located in Seward. He explained that it operated on a statewide basis and has four cluster areas which include: mechanics, building trades, food service, and business education. It also includes a residential program that can house up to 120 men in one facility and 55 women in another facility. In addition to that there are families involved in the program. He said it was a little different than the traditional skill center approach in that it provides complete services to any individual or family that may need them. Examples of these services are day care and psychiatric services.

Mr. Ridle said that at the present time 88.+% of those persons who complete training at the Skill Center are placed. He stated that the drop out rate is 13%.

Mr. Wright asked how many were still on the job a year later. Mr. Ridle said that it was somewhere around 70%. He added that they were still in the process of following up.

Mr. Wright asked the cost per trainee. Mr. Ridle said that straight education cost about \$1.75 per trainee hour. The additional services--day care, family assistance, etc--bring it up to \$2.55 per trainee hour for a grand total of approximately \$2600 a year for a slot with the exception of allowances. Allowances are about \$2400 per slot, so the total cost is about \$5,000 a year per slot.

Mr. Ridle explained that a single was paid a training allowance of \$56 per week. A man with a family got something more for each dependent. He said that families didn't participate in the room and board service, but a single does pay back in at

rate of \$42 a week for room and board.

Mr. Ridle said that he had compared the Alaska Skill Center with other centers. He stated that one comparison is the placement factor as opposed to skill centers in the lower 48--they are 27% higher than Watts, Oakland, Kansas City, etc. One of the reasons is that employment opportunities for trained people are better. Also there is a higher placement rate as compared to statewide projects run in Alaska such as the ones in Anchorage, Fairbanks, and Dillingham. This is because of the more intensive type of service run at the Alaska Skill Center. They are also retaining more people in terms of drop-outs than those being referred to Anchorage Community College.

Mr. Wright asked if these were valid comparisons and wondered if there was a difference in cost. Mr. Ridle said it cost about the same to run a program at Anchorage Community College as it did in the Skill Center. In fact, he said that they could provide more services at a lesser cost than Anchorage could.

Mr. Ridle pointed out that at Anchorage there is no counseling service, no day care, no health service aids, etc. If Anchorage provided them, it would cost them more than what it is costing Seward.

Mr. Fink referred to page 725 under "Specific Assumptions", no. (5) where it says the rural unemployed deserve top priority. He asked how they had arrived at that assumption. Mr. Ridle explained that 60% of their trainees were from the rural areas. Mr. Cole suspected that all of the assumptions came out of the manpower proposal. He pointed out that serving rural areas of the State is top priority when it is looked at in Washington D.C. He said it was a way of securing federal funding.

Mr. Fink asked whether the Skill Center was large enough to care for all of the people they could get to go there. Mr. Ridle said no. He explained that the facilities couldn't handle any more and also that Seward could only handle so many additional people. He said on the other hand that the atmosphere is ideal from the standpoint of a guy not getting lost in the hussle. He said that they had 194 at the Skill Center and both it and the town were full.

Mr. Lind said the possibility of expanding has been considered. Mr. Ridle said assuming that Wildwood money was available, they would look at a different kind of a program there than at Seward. They would take the higher caliber individuals and cut out the specialized projects there and run a day care program because a lot of family housing was at Wildwood. They would shut down the day care program in the Seward operation. They

also do away with family living assistance. He added that more than likely if they got into business at Wildwood they wouldn't operate it. They would rather see it become part of the local education operation than stay a state operation.

Mr. Fink asked whether he was indicating there was a need for additional facilities like the Skill Center. Mr. Ridle said yes. He said however, that they would prefer to wait and see what happens to the pipeline before they make any recommendations. He said he would promote more centers if he thought there was money, but he would rather maintain a good going operation than divide up the money between different centers. He noted that maintenance for Wildwood would be in the neighborhood of \$1 million a year, and they were talking about program money in addition to that.

Mr. Ridle said they could pull Kenai Community College into Wildwood and some of the existing programs from the Skill Center, and if the money was available they could probably have a boarding home. But all of this would only be 50% utilization.

Mr. Fink asked the percentage of the hard-core area this was directed to take care of. Mr. Ridle said there was a difference of opinion. It was his own personal opinion that there were 4,000 or 5,000 people in the State who need their training. However other people say there are 10,000 to 15,000.

Mr. Ridle said they had 194 training stations, but each slot can hold two or three people, so there are 400 to 550 people trained in a year.

Mr. Fink said to suppose that money was no object, and asked Mr. Ridle how many slots more slots they ought to have. Mr. Ridle said 250 more slots. He said that one thing that should be brought out is that there is an EDA state and local grant that has been funded to accomodate 100 people starting in December. EDA is trying to get another one for Fairbanks which would accomodate 300 which would be on the line in September.

Mr. Fink asked whether Administration was going to come up with any recommendations on Wildwood. Mr. Hohman said that Mr. Pavitt had written a report.

Mr. Ridle returned to the budget for the Skill Center. He said that the first year it was 100% federal funding and the second year there was some federal funding and next year would be the beginning of the General Fund.

Mr. Ridle said the Division of Vocational Education has money in its budget for the Skill Center, but the Department of Labor doesn't have money in it for allowances. Without money in the Department of Labor, there is no way to refer trainees, so what it means is that there will have to be an appropriation of about \$440,000 for Labor.

It was Mr. Fink's understanding they had tried to get Title IV money for Day Care. Mr. Ridle said they had explored that. Mr. Lind said he couldn't speak with reference to the Skill Center, but he imagined that it had been investigated for the Day Care portion. He didn't really know. Mr. Cole said it wasn't a simple thing that they took X dollars and got four times that and put X back in and spend the other three someplace else. Once the money is in, it has to meet the requirements. He said that if they had any operation in the Seward Skill Center it would only be to pick up money with the money they have now to use in the Day Care. So, they weren't talking about a very large amount of money.

Mr. Fink asked how the \$440,000 they were short for allowances would effect the program. Mr. Ridle explained that traditionally the Department of Labor and the Department of Education have been partners. Education has taken care of running and operating the program and paying for the educational costs. Labor makes refers trainees, pays trainee allowances and makes placements. The money is on a 50:50 sharing basis. Education has put their share of the money into their budget request and Labor hasn't. He didn't know why and thought it would be best to ask them. He added that there was nothing that said that Education couldn't pay the trainee allowances or make arrangements for it, but Labor had the machinery to do it.

Mr. Ridle said that if they didn't get the \$440,000 for allowances, they might be able to go to other agencies and ask them to come up with the training allowance. The other possibility would be to split the money they already have 50:50.

Mr. Hohman asked if he had answers to the specific questions the Committee had asked earlier concerning the support of Community College Training Programs.

Mr. Ridle passed out several sheets which he said would answer their questions. The first set of sheets was concerned with what had been requested originally. The second set was entitled "Post-Secondary Projected Activity Report 1971-72", and showed how they actually came down to the final distribution of funds.

ABE

Mr. Ridle said that the other question they had asked was how the Adult Basic Education distributed. He said it was distribu-

by educational attainment--0 to 3rd grade, 4th to 6th grade, and then 6th and up. The way they decided on the areas the people fell into was by using a large document from the Federal Field Commission which has a map showing educational levels for adults in various sections of the State. According to that the lowest educational attainment level happens to be in the western part of the state and that is where the bulk of the money for ABE is distributed.

Mr. Hohman asked if it was on a contractual basis. Mr. Ridle said yes that it was with villages, councils, rural school districts, and sometimes with SOS schools.

Mr. Hohman said he wanted to determine how much money was being spent in the Lower Yukon--Lower Kuskakwim Delta area and how it was administered. Mr. Ridle passed out another set of papers showing the different ABE programs. He said that Project Numbers 72-28 through 72-40 went into that area. In addition to that there is one other contract, Project Number 72-48 that went to develop all of the other programs.

The Committee requested a copy of the contract.

Mr. Ridle said they were trying to train village people to teach ABE classes rather than local teachers because they find that the village people are better teachers. They get \$6 a hour compensation.

Mr. Hohman asked where the materials were being developed. Mr. Ridle replied Anchorage Community College was doing it. They have been in that now about 9 months. It is a year long contract of 100% federal monies. The source is the Adult Basic Education Act, Public Law 89750 for FY 72.

Mr. Hohman asked if the level of funding was enough and Mr. Ridle said that it wasn't. He felt they needed somewhere in the neighborhood of \$.5 million for expansion and new programs.

Mr. Degnan asked how a community went about getting a program. Mr. Ridle said that most of the villages are aware of the program and come to his Division and say they have a certain number of people needing the classes. He pointed out that most of the \$2100 contracts estimated 15 enrollees. He said the cost per trainee hour is somewhere in the neighborhood of \$1.

Mr. Hohman asked Mr. Ridle if he was familiar with the JOBS Training Program under the Department of Labor. Mr. Ridle said that he didn't have any direct contact with it.

RECESS

Meeting recessed at 5:10 p.m.

AFTER RECESS

2:00 p.m.

Present: All members except Mr. Degnan. From the Department of Administration, Commissioner Henri, Deputy Commissioner Freer, Mr. Charney, Mr. Smith, Mr. Hunt, Mr. Bradley, and Miss Hackwood were also present.

DEPT. Chairman Hohman called the meeting to order and said
OF the topic under discussion was the budget for the
ADMIN. Department of Administration.

Mr. Henri said he would like to present the highlights of this budget. He referred to page 312 of the Budget Document and read each unit listed on this page. He said the two items of concern are Executive Administration requesting \$1,073,400 and Services to State Agencies requesting \$5,543,800.

There are 92 new employees requested in this budget, and the details begin on page 286 of the Budget Document.

Mr. Henri said the Executive Administration includes the Commissioner's Office and the Division of Budget and Management. Under the Commissioner's Office is the Internal Auditor. Mr. Henri said the major changes in the 1973 request are: (1) a study of the state's fiscal accounting system to improve efficiency, provide better control and offer faster service to those in the private sector who do business with the state government (this is an amount of \$200,000); and (2) to improve the capability of Internal Audit by adding two positions (this is an amount of \$28,000).

Mr. Henri spoke on the need of the study of the state's fiscal accounting system. He said he felt they should try to save money by doing things more efficiently. One of the things which is long over due is the betterment in the way voucher payments are handled, he added. Mr. Henri said that \$200,000 would allow an analysis of use and implementation. This would be a "one shot deal" which would result in a better accounting system that would last for years to come.

Mr. Henri spoke for the need of the requested two positions for Internal Audit. He said they could use many more men and use them efficiently. They had to hire outside auditors to assist them in

the Division of Aviation with reference to the sale of revenue bonds.

Mr. Henri listed the divisions of the Department (shown on page 295). He elaborated on the Division of Data Processing. They plan to expand the electronic equipment so that any change in the budget could be entered into the machine and they could keep a running total on the budget. The equipment and staff to support the expanded EDP applications would also include automated vendor accounting, automation of personnel registers, mechanization of the personnel leave accounting system and miscellaneous increases in workload for the various state departments.

Mr. Henri said they are requesting a specifications engineer for the Division of Supply. He spoke on the problems in this division noting they rely on a "catch as catch can basis" to make their bids. Mr. Henri said they would like to establish a system similar to what GSA has.

Mr. Henri said they were requesting \$37,800 to establish an Employee Suggesting Award Program to encourage employees to formally submit cost saving suggestions. He briefly explained this program.

Mr. Henri said they plan to establish a Minority Training Program to provide selected candidates with the basic skills needed for entry into public service employment. The amount requested is \$153,400. He added that this is to implement Senate Bill 61 which passed last year (an Act providing an avenue for individuals with demonstrated abilities to enter into employment without educational and experience requirements). Mr. Henri said that without putting the money into this program he felt they were asking the impossible of the Commissioners.

The Department is also requesting \$53,600 to expand the Archives and Records staff. This amount will support a forms standardization effort. Mr. Henri said there are thousands of forms in state government and there is a need for this review. Mr. Henri spoke on the space that is being wasted by the storage of records which can be microfilmed.

Mr. Henri said the Department requests the establishment of a Management Trainee Program to provide the

state with junior management personnel. He said this would be a device to give them junior management people after a year's training.

Mr. Henri said it was possible the Governor might come out with a slight adjustment in the personnel and benefits section because of the recent fire at the community college building in Juneau.

Mr. Henri said they had had many complaints about the handling of retirement funds. He said this area is very deficient and they hope to "soup up" this agency. He called the committee's attention to the fact that Senate Bill No. 211 (providing for an Alaska longevity bonus) or the "old timers' bill" will cost additional expense for administering. He noted Senate Bill No. 264 (relating to retirement benefits) would likewise increase the retirement section.

Mr. Fink asked in view of the recent revenue projections that the administration had made, what was the rationale for the increase of 20% to 32% in the Department's budget. Mr. Henri said the rationale was the explanation he had just given. He added that he felt this Department had been an area of neglect.

Mr. Fink said that since this budget was put together the Governor has made the announcement that the state is in worse shape than it was. He asked Mr. Henri if, in view of this announcement, the administration expects a revision in the overall budget. Mr. Henri said he did not know of any present plan to come down with a revision. He said they were about ready to run a computer model depending on the legislative changes and the "somewhat dire outlooks from the pipeline hearings". He said this will be run next week. Whether they will come in with a change has not been suggested, Mr. Henri added.

Mr. Fink said he did not agree with the projections but he felt if the administration believed in them they should cut their budget back. Mr. Henri said when the budget was composed they had a sound balance every year for the next ten years. He said he thought poor psychology had been used regarding the Department of Administration in that for a number of years they have sought to set a good example by keeping their budget down. In doing this the fiscal control has diminished. Mr. Henri did not feel this has been a very good astute cut. He felt that the past history of this department is the main reason for this increase.

Representative Wright referred back to SB 61 and stated that the bill had nothing to do with minorities. After reading the bill which Representative Wright had provided, the Commissioner said that Mr. Wright had been correct, but he felt that SB 61 provided a good chance for the employment of minorities. Representative Wright said the thrust of SB 61 was education. He added that until the state created a climate which was comfortable for minorities, they would not apply for those jobs. A detailed discussion on the hiring of minorities followed.

Representative Fink asked the Commissioner if the Governor hadn't indicated things were much worse than anticipated, although the Commissioner did not plan any revision of the budget. Commissioner Henri said that their projection for revenue was too high, yes. He added that the original design for oil flow had been 1.7 barrels in two years, but now it was estimated at 1.5 barrels in seven years. He stated that the cost of the pipeline had also jumped from \$2.3 million to \$3.5 million, but said that they don't need to go up 8 per cent a year, so he felt that they had the flexibility to stay within the budget. Mr. Henri added that he would run new projections, and if they cannot come out with a sizable increase, they will confer with the Governor. Representative Fink asked when the projection would be ready. Mr. Henri replied that it should be ready next week. Mr. Fink asked if Mr. Henri could then make a recommendation. Commissioner Henri said possibly.

Representative Ditman then asked how long it would be before they knew how to fund Department of Public Safety and the Department of Fish & Game protection. Commissioner Henri replied soon, probably by the end of the week.

Representative Fink asked if they would cut back on rental in future years. Commissioner Henri said not entirely. Mr. Fink then asked if they would cut back on space requirements, and the Commissioner answered probably.

Representative Wright then asked how many square feet were in the Community College building which had burned. Commissioner Henri replied that Benefits had 1,200 square feet, and Administration had 7,000 square feet which totalled 8,200 square feet. Representative Wright then asked how much space they had now and in what location. The Commissioner said they now have less space with 6,200 in Personnel and 1,365 in Retirement Benefits. Representative Wright then asked for the rental difference. The Commissioner stated it was much higher. Mr. Bradley stated that they had bought three trailers (but one would go to the Department of Health & Social Services once set up),

but rental in other buildings was \$.50 per square foot. Representative Wright asked where the regional office for the Department of Health & Social Services was located. Mr. Bradley replied that it is in the old territorial building. Mr. Wright then asked for the term of the lease. Commissioner Henri replied 18 months; until it was possible to move into the new building on Willoughby Avenue.

Representative Wright then asked how many personnel were now in the Department of Administration. Commissioner Henri said there were approximately 408 authorized which includes those employees involved with the Pioneers Home. Mr. Wright asked how many were requested; the Commissioner replied 502 total employees; 259 employees without consideration of the Pioneers Home. In response to Mr. Wright, Deputy Commissioner Freer said none of the 94 employees requested this year were for the Pioneers Home.

Representative Wright stated that there were approximately 2/3 employee for each guest at the Pioneers Home. He asked if they were trying to approach a one-to-one ratio of relationship. And if so, the situation should be looked into. Commissioner Henri stated that it is a three shift operation because it is a 24 hour job. Mr. Wright pointed out that the majority of the employees probably work from 8:00 to 4:00, while any night staff would consist of a skeletal crew. Mr. Henri stated that the internal auditor recommended the number of employees.

RECESS

The meeting recessed at 3:00 p.m.

AFTER RECESS
March 30, 1972
3:20 p.m.

PRESENT All members except Mr. Hohman. From the Department of Administration, Commissioner Henri, Deputy Commissioner Freer, Mr. Charney, Mr. Smith, Mr. Hunt, Mr. Bradley, and Miss Hackwood were also present.

Acting Chairman Ditman called the meeting back to order, and asked if there were any questions from the committee concerning the overview of the Department of Administration given in the earlier meeting.

Representative Warwick mentioned that the budget supplement listed \$5.5 million under Services to State Agencies, while last year's figure was \$4.3. Mr. Henri said there may be an increase and referred to those new programs which he mentioned in his presentation. He added that the Division of Data Processing is taking away a large chunk of that money--\$300,000. It was also noted that the Division of Data Processing is servicing the entire state.

Representative Wright asked how many hours a week the computer was used. Commissioner Henri said that there were three shifts, seven days a week, 24 hours a day, although occasionally there were only two shifts.

Representative Wright noted that \$153,000 was listed for management of the minority training program, and that there were 20 clerical trainee positions. He asked if there was a correlation between improvements and minority employees. Commissioner Henri said that those would be some of the people hired, yes. Mr. Charney interjected saying that there were actually 20 slots, and that the term "clerical" was simply Mr. Henri's word.

Representative Wright then asked for a full explanation of the training program. Mr. Hunt stated that the idea was to provide jobs which were state controlled within the state which will enable the Department of Administration to pick people, hire them on a temporary basis, train them, and then put them on permanent hire. He said that now the employees are not often acceptable because they lack skills and knowledge. He said the training program was to provide a transition into an already budgeted position, and the 20 slots are for any vacancy, not 20 additional jobs. Mr. Wright asked if there would be someone heading the training program. Mr. Hunt answered yes.

Mr. Hunt emphasized that the money was needed for better training programs, and there will be schooling involved. He mentioned a federally sponsored training program which was brought into the state two years ago and failed. The "trainees" had had no real preparation or training during the program and the state inherited 15 personnel and put them on temporary hire.

Mr. Hunt also spoke of the clerical problem in Juneau. There is a great need for that type of help, but many people are still left unemployed due to their lack of skills.

Representative Wright stated that he thought that all marginal people should be trained. He added that if he had access to the vacancy list, he would bring forth minorities to fill those positions. Commissioner Henri pointed out that the vacancy report is a weekly print-out sent to the Man-power Center. The department also has \$30,000 to work with the Equal Employment Opportunity Commission, who will tell the department names of qualified minorities, and they will be put into those jobs. He added that there is also a monthly list which tells each commissioner how many minorities he has and how many he needs to hire. The Commissioner said the step forward cannot be done all at once, but that next year the ratios of minority employment will be raised with competent minorities filling the positions.

Representative Wright then asked about the percentage of reruns in the Division of Data Processing. Mr. Endicott said that mistakes were made, but did not know of any great amount of reruns. Mr. Wright then asked if there was a high turnover. Mr. Endicott said that it was very low except in the Key Punch positions. He added that shift levels were three shifts for seven days a week in Juneau, while Anchorage maintained two shifts five days a week. He said that averages out to approximately 6 & 2/3 shifts per week for the current fiscal year. Mr. Endicott said that Juneau had passed its peak capacity, which degrades the level of service. He stated that Juneau has 26 developmental employees in the Data Processing Division; the Department of Highways has 13, Health & Social Services has 6, and 11 other developmental employees are spread throughout other departments in Juneau, bringing the total to 56. Those employees, he explained, develop new jobs, and if those people are let go, then new job positions will have to be cut. Mr. Endicott said that anyone hired without one year of Key Punch experience was hired on a temporary basis. He added that there were 14 new Key Punch positions just for data entry, and the Food Stamp program caused a high volume of Key Punch work. He said extra Key Punch work is contracted with service bureaus outside the state.

Representative Wright asked about the training program for personnel and the coordinator of such a program. Mr. Henri stated that they have not done much in the program. He said they are planning now to come up with something and added that when the instructions go out with the 1974 budget, they will see what will be spent on training. Mr. Charney said that one of the reasons the program was so fragmented now was because the Department of Highways has its own program for engineering training.

Representative Wright asked how Key Punch operators were recruited. Mr. Endicott said that ads were put in all major papers. Mr. Henri again emphasized the vacancy list available each week which is furnished to the manpower center. Mr. Endicott said there is a sufficient work load to justify the 24 positions. He explained that the other two positions were for an additional operator, and a data control persons; one for Anchorage, and one for Juneau.

Representative Fink stated that there was an amount of \$1,000,000 for Workmen's Compensation, and mentioned that the Department of Administration was now pushing the bill. Commissioner Henri said that that may have appeared to be in the work sheet, but they requested that the Governor cut it. Mr. Charney said it was part of the 17% benefits. He said they might need a minimum balance in funds. He added that an insurance study showed that they don't need an extra \$1,000,000 in funds.

Mr. Endicott said there were 56 developing systems for all agencies; seven were in their division in Anchorage; four were in the Department of Highways and the engineering package of Highways to Anchorage transferred already. He mentioned that there would be a larger size volume application in Anchorage due to the processing of motor vehicles there.

Mr. Endicott stated that the Division of Data Processing could not optimize their program, according to IBM in Seattle.

Representative Wright asked if any determination had been made for the relocation of Health & Social Services. Commissioner Henri said no.

ADJOURNMENT The meeting adjourned at 3:50 p.m.

HOUSE FINANCE COMMITTEE

April 4, 1972

9:10 a.m.

PRESENT

All members except Representative Hohman, Chairman. Those attending the meeting from the Department of Revenue were Eric Wohlforth, Commissioner, Mr. Ralph Kimlinger, Mr. Philip Wall, Mr. D. Barnes, Mr. Robert Stevenson, Mr. Lawrence Eppenbach, and Mr. Fred Boetsch. Mr. Joe LaRocca from the press was also present.

Acting Chairman Ditman called the meeting to order.

DEPARTMENT
OF
REVENUE
BUDGET

The subject of discussion was the Department of Revenue budget.

Commissioner Wohlforth defined the following objectives: the control of illegal motor vehicle activity; the improvement of tax structure; improvement of economic return of investment function; achievement of compliance with tax obligations of residents and non-residents; and the improvement of service to the public. The Commissioner added that the Department of Revenue felt that each objective was of equal importance, and the five objectives were of top priority.

Commissioner Wohlforth then proceeded to give an overview of the budget. He stated that there was a 15.4% increase in the general government category, excluding the amount requested for the Tok station. If the station were included, the increase would total a 20.5% increase.

Discussion then centered around the Tok station which would provide the following services: assesment and collection of motor vehicle registration and weight fees; vehicle safety and weight limitation inspections; examination of cargo moved into or out of the state; identification and control of tourist vehicles. Commissioner Wohlforth explained that the Tok station was added after the program budgeting was under way, although it was conceived and supported by various departments of the state. It was hoped that the station could also provide information for tourists regarding fishing and hunting (and perhaps providing licenses at the station), and ferry scheduling, etc.

Until a conceptual design on a permanent facility is accepted and the building completed, portable office space should be rented and moved into the area. The budget proposal is based on a temporary office facility. In response to Mr. Warwick's question, Mr. Wall explained that the funding of the facility was included in the \$155,800 amount.

Representative Warwick then asked how much the department thought the state would save; Mr. Wall was not really sure but estimated \$300,000 to \$500,000. He added that the 24 hour surveillance program would provide a substantial amount of revenue to the state. Representative Warwick then asked how much the station would cost. Mr. Wall said he was not sure,

but the cost would probably be high. The total dollars will include the housing of two people on duty and the supervisor. Representative Warwick then referred to the estimate of revenue and asked how such an estimate was obtained. Mr. Wall said that he had done some personal observation in that area while hunting. The department had also contacted Consolidated and Linden trucking companies who had given them the amount of traffic. He mentioned the substantial increase since the North Slope effort began and the self-contained units originating in Canada. Representative Warwick then asked if they had any work papers to show how the department had arrived at the \$300,000 to \$500,000 amount. Mr. Wall said that the amount is just an estimate but was sure that they could provide something on paper justifying the estimate.

Commissioner Wohlforth said that the motor vehicle section in Anchorage has increase dramatically, and the department felt it necessary that additional support be given to that. He added that the entire Motor Vehicle program is under review. The department is contracting for and will soon have a man from outside assist in upgrading that function. The Department of Revenue is also in the initial stages of a computer program for efficient licensing and titling.

The commissioner said the objective of improving the tax structure is increased. He stated that the department is now on the treshold of tax compliance in Alaska. On March 30, hearings were held regarding the adoption of regulations pursuant to the multi-state compact which would give Alaska the efficient tool and means of capturing the out-of-state income it is due. The department has asked for a tax research man because they found that without an independent capacity to make tax research analysis, they must take people from their regular duties and form an extensive tax research function. The department needs a full-time tax research man to identify tax areas where laws are obsolete, where the state loses revenue, and to provide information to the Legislature.

Commissioner Wohlforth then spoke in support for three field auditors who can perform on an "on-the-ground" basis. He said the new budget provides for another field auditor and one supervisor of that individual. He stated that there was a great deal of revenue lost in the state by the department's existing ability to perform only desk audits

and their inability to conduct actual on-the-ground surveys for sophisticated out-of-state or in-state corporations.

Commissioner Wohlforth then referred to a chart before the committee which showed the impact of the department: people contact, income control, investment surplus, and management of tax environment. He stated that even with these kinds of increases suggested, the department is still a long way from achieving a rate of tax compliance desirable for the state.

The Commissioner then referred to another chart representing relative growth in income. From the period of 1966 - 1971 there was an 89.3% growth in tax income. From the period of 1969 - 1971, there was a 2,442% growth in investment income.

The Commissioner stated that there was an additional support request asked for in the treasury. He said that increased terminal usage is a valuable investment tool. He said that the contractual services section is dictated by state necessity of effectively managing resources for optimum returns.

He stated that their investment staff was now up to four people, and they have completed an in-house analysis of the entire clearing house activities. He stated that in January, \$800,000 was drawn out of banks in the state where they had been held in demand deposit as compensation for handling cash for the state. The money is now converted into warrants: interest bearing time certificates.

Mr. Wohlforth referred to the analysis of the maintenance fund in the budget book which starts on page 29. He said it shows the volume of increase. He went on to talk about the time sharing terminal (page 37). He said that it had been funded through the Department of Revenue since the beginning. He pointed out that Administration doesn't take care of all EDP expenses.

Mr. Wohlforth said that the time sharing terminal has been in operation for over a year. He explained that the funds for it went for rental of the facility and for long-distance telephone charges. Mr. Eppenback stated that there were various components in the system and said that the console was rented through the Department of Administration. Mr. Warwick thought it inconsistent that the Department of Administration would charge them for the console.

Mr. Wall explained that there is a control procedure through the Department of Administration for approval in order to install equipment. He stated that purchase can only be made through a customer of IBM's in Alaska. The Department of Administration is the customer.

Mr. Eppenbach stressed that the Department of Revenue was not the only user of the console. He said that other departments, such as Education come in and use it.

Mr. Eppenbach went on to say that a return measure of the program is, simply stated, taking some of the commercial systems offered to them. He said they try to take components of systems and write their own programs. The advantage is that it provides an accounting format of any combination of portfolios. In addition, it provides time weighted and internal rate of return data. He said that he might add that in time sharing they have access to any computer they wish to call. He said they were working through a computer in Santa Clara, California and one in Massachusetts. Mr. Eppenbach said they could work with any size computer and on any spread. The turn-around time is so fast that they can easily debug a program.

Mr. Wohlforth referred to analysis of changes from the maintenance level. He said that they worked closely with the budget analyst assigned to their department and produced 20 of an original 37 items as priority. This gave rise to a 15.4% increase in the departmental budget. He referred them to page 35 of the budget document. He said that all of the priorities were related to maintaining and improving the investment and tax functions.

Mr. Warwick asked what the Burroughs Model 4,000 computer was used for. Mr. Wall said that its major use was for validation of cash receipts. He said it was a control device for validating checks and documents. It also updates research records. He said it is a most satisfactory program. He said that they used to have a two or three week backlog but now they have none. He said that it was most helpful in the processing of the initial receiving

Mr. Boetsch said that right now they are able to get a tax receipt out in roughly three weeks from the date of receipt unless the tax return is diverted for audit. He said that in utilization of the computer programs and reorganization of personnel they have gone to screening procedure on tax documents and upgraded the computer program to get out refunds faster. He said that on March 31, 1970 they had issued 7,969 refunds. By that same date in 1971, they had issued \$19,777 and at this time in 1972 they have issued 30,000. So, in the past three years they have tripled the amount of refunds they are able to get out in that amount of time.

Mr. Warwick asked whether they worked with IRS with their audits. Mr. Boetsch said they get copies of the federal reports and IRS gets copies of the State reports.

He said that an agreement had materialized in 1966. Mr. Warwick asked how many violations the IRS submitted to the Dept. of Revenue. Mr. Boetsch said it was in the thousands of dollars.

Mr. Wohlforth displayed Chart Number Four which illustrated the growth in transactions pertaining to: Fish and Game, Audit and Excise, and Motor Vehicles.

Mr. Wall said that one thing that concerns them is the fact that the growth in Audit and Excise was fairly level. This indicates there is a substantial amount of non-resident tax that they don't get.

Mr. Wall stated that there are 15,000 business submitting quarterly withholding returns so upwards of 100,000 transactions are in that area alone. He said they get 100,000 returns a year from individual tax payers and 20,000 inquiries and they adjust through their audit program 20,000 returns. He said they were trying to evaluate in terms of people support.

The next chart which Mr. Wohlforth displayed showed the relative percentage of increase in the Department of Revenue's budget and income. It showed the budget at a 92% increase and the income at a 317% increase. He said this was over a five year period. He stated that the responsibility of the department had grown.

Mr. Wohlforth went on to show them the second to the last chart which showed the increase in the number of employees between 1966 and 1971. In 1966 there were 120 employees as compared to 172 employees in 1971. He didn't feel that was a dramatic increase in the total number of employees considering the impact of the North Slope on State activity. Mr. Wohlforth thought they were on the threshold of a compliance program. He said that they had some of the legal tools that they need, and they are asking for more.

Mr. Warwick asked what the legal tools were. Mr. Boetsch said he would like to take time to give background on the Multi-State Tax Commission established in 1967. This was created through the passage of Bill No. 86-272 in Congress which places jurisdiction restrictions on the State. He said the Commission was designed to defeat non-equitable tax methods through a compact approach by cooperation among states rather than through federal government law. He pointed out that there are two bills in Congress now seeking to limit the State's ability to tax interstate operations.

He said that Alaska became a member of the Compact on July 1, 1970. A regulation was promulgated (AS 43.19) to enforce the provisions of the Compact. He said that in April of last year the Commission held hearings in Denver suggesting regulations which would require executives to report to the state where they were doing business. Up until this time, many corporations report income to the state where they are residents and many times they are not taxed. The hearing officer felt this income to be an integral part of modern corporation entities. The Multi-State Tax Commission voted to accept regulations to have income reported within the State the business was carried out.

Mr. Boetsch said they anticipated that the regulations would mean an additional \$3 million in corporate tax income within Alaska.

RECESS

Meeting recessed at 10:00 a.m.

AFTER RECESS

10:35 a.m.

PRESENT All members except Representatives Hohman and Ditman. The following people were present from the Department of Revenue: Mr. Wohlforth, Mr. Kimlinger, Mr. Wall, Mr. Barnes, Mr. Stevenson, Mr. Eppenbach, and Mr. Boetsch. Mr. Joe LaRocca from the press was also present.

DEPARTMENT OF REVENUE BUDGET Acting Chairman Warwick called the meeting to order and said that they would continue discussion of the Department of Revenue Budget.

Representative Warwick asked what the practical implementation was considering the contract on the North Slope. He wanted to know how the Department could tax profits on that job when there were other jobs around the world with which it could be intermingled.

Mr. Boetsch said that the basic approach and one that the Compact favors is to require combined signing for all of the operations and to apportion income based on a three-factor formula: payroll, sales, and property. He said that if the apportionment method doesn't lead to good results, the Commissioner could require a separate accounting for the Alaska operation.

Mr. Warwick asked how they kept on top of it. Mr. Boetsch admitted that it was rather difficult unless the men in the field were aware. He said that the Corporations were required to do a number of things in order to do business in the state. They are supposed to register with the Department or Commissioner. They need to get a business license. However, he said it was a question of somebody being aware of the operation and reporting it to the Department.

Mr. Wohlforth noted this was a problem throughout the whole taxing system. He felt the request for a field audit staff was very modest in terms of the potential interstate income.

Mr. Wohlforth reminded the committee of the bill Congressman Pelly got through Congress which deleted the requirement of withholding and filing information returns as to Alaskan operations. Since no withholding is required, many think they are not liable for Alaskan taxes. This is an incorrect conclusion. He said there were a number of things the Department had done to correct the situation. They have expanded their audits based on the fishing endeavor. He said that they were trying to coordinate income tax evasion penalties with the federal government. Now it is just a misdemeanor for fraudulent evasion of taxes. Dick McVeigh

is trying to get a bill passed which will make it a felony. Mr. Wohlforth said the bill was drafted in their office and introduced that morning in House State Affairs.

Mr. Boetsch said that 15% of the individual tax payers are non-residents. That is an impact of \$40 million.

Mr. Wohlforth said that if the tax evasion passes, that will be a good legal tool for them to work with.

[Mr. Warwick leaves the meeting.]

Mr. Wohlforth said they were talking about 4,000 to 5,000 corporations which needed to be audited.

Mr. Wohlforth said that before he started to talk about the data processing that is being used, he wanted to preface his remarks with the comment that they are only trying to use conventional concepts as they look at their problems of trying to keep track of new advances in technology which are coming along so fast. He said that one of the things to cause excitement in their Department is the Indiana concept which combines the total amount of data processing effort in audit into a service bureau. This means the systems analyze work, the computers define the work and run what they chose. In Data Processing, contractual services rendered all the overhead. This is obviously something they are very pleased with. He said that as they look at use of terminals they find that in all of their production jobs where they use the State Computer facilities because they don't have the full year's maintenance cost, it is actually cheaper to go to time sharing. When they do that they only have to pay for the portion of time they actually require the use of. He said that coming into contact with other agencies gives them the ability to coordinate their effort across the state. He added however that there were dangers in that the information released to international computers might not remain confidential.

Mr. Wall said there are four major areas of computer use. One is the area of Motor Vehicles. It is used in this area because they are evaluating costs on day to day needs and there is a very low yield in comparison to expenditures. If the computer is used wisely, they can lower the overhead cost there. He said there are some problems which make this not as lucrative as it has been in other states. For example there is 1/3 turnover in the state annually.

He said that in looking at the computer as a tool they have permitted Phase I Title projects to be operational January 1. This sophisticated development is being supported by the Division of Data Processing in Anchorage. They are expecting a 24 hour

turn around on processing of information. They expect it to be no more than 24 hours in the shop and a total of three days in data processing, with another week of transaction.

Mr. Wohlforth said they had to add people in order to keep abreast of the operation.

Mr. Wall said they have asked for the amount of \$12,700 from the Federal Highway Safety Program in order to hire a planner to provide them with management guidelines for long-range motor vehicle work. The reason is that a two-fold MV program seems to be the answer. Complexities have arisen due to abandoned and stolen vehicles and problems dealing with late enforcement services. He said that they need some kind of a plan to communicate to the top management what the motor vehicle needs and priorities are.

Mr. Wall said that they do expect to hire this planner. They have offered a contractual job to a man in California to begin a 2 1/2 month project. They hope to be able to present his approach to the legislature next spring.

Mr. Wall went on to talk about Audit. He said that they have been obtaining from the federal government a copy of individual returns filed with IRS which indicate earnings in Alaska. They would like to compare that file with returns submitted to the Department of Revenue annually because they feel it would tell them significant things. He said this program is one of the tools they could use for identifying. He said there are a series of steps they have to take to get to the program. They will have to make the base file accurate enough to compare it with the federal extract. Mr. Wall said that everything they do ends up in key punch in computer readings. He said they would like to see key punching done the first thing. This would be a great help in initial screens. They feel that this is where the greatest tax yield can be expected.

Mr. Wall moved on to the Terminal area. He said they used computers with a very rapid turn-around. They are encountering problems in the investment areas, and because the terminal is available to them immediately, it is a very efficient tool to use in this type of environment.

Mr. Wall said that Fish and Game licensing is an area where they are providing information for local governments. He said that basically motor vehicle information is judged as public information. He said they have been concerned for some time about the restriction of information for mailing lists. They have been reviewing each request as it comes in.

Mr. Wright requested that the Committee be supplied with copies of terminal times. Mr. Wohlforth said this would be done.

Mr. Bob Stevenson referred to a cost analysis for the past two years. He said these figures include APC figures. The total revenues for FY 69-70 were \$122 million and the cost on \$1 is 1.902¢ which comes almost 2¢ on the dollar. The FY 70-71 calculations were \$169 million and the cost per dollar was reduced to 1.68¢. He said that the expensive dollars were in Fish and Game and Motor Vehicles.

Mr. Fink said that the State appropriated \$3.999 million in the area of shared taxes for FY 72. He asked what they were going to spend. Mr. Stevenson said he couldn't tell him at this point. He said that the fish tax is not in yet and they aren't through yet with the business licenses.

[Mr. McVeigh arrives.]

Mr. Fink asked Mr. Wohlforth if he was on the Governor's Budget Review Committee. Mr. Wohlforth said yes. Mr. Fink noted that their budget didn't go down much. Mr. Wohlforth said it wasn't a case of dealing themselves a big share. He said they went from 37 priorities to 20.

Mr. Fink asked about the oil and gas research analyst. Mr. Wohlforth said that basically speaking, that was what he was, although he was assigned to that, he would be in the overall tax research frame of reference.

Mr. Fink said that at the oil hearings, Mr. Wohlforth had indicated they had new tax figures. He asked if this would change the revenue projection.

Mr. Wohlforth said that some of the information they received was as close as a week prior to the hearings as to the cost of the pipeline itself. He said they had evidence that the build up flow through the line was slower than they had estimated. They put everything together because they had practically no turn around time at all. They were able to come up with revised procedures based on this. He referred to their opening statement at the pipeline hearing. He said they had expected to see the industry object to it, but they didn't, and this tends to confirm their statement to some extent. He said that the Department of Administration is trying to assure a sufficient measure of return from the North Slope to maintain the budget during the critical years of 1976 through 1980.

Commissioner Wohlforth said the department had been in contact with other states on "per barrel" rates.

Representative Fink stated that Commissioner Henri of the Department of Administration had been before the committee last week and had said that they would rerun expenditures. Mr. Fink asked Mr. Wohlforth who runs those figures. The commissioner replied that the Department of Revenue runs revenue figures, although the Department of Administration can plug into it. He said the procedure is a cooperative effort.

Mr. Eppenbach stated that in the past, the Department of Revenue has run both estimates of revenue and expenditure levels, and the Department of Administration will have the ability to calculate the level of expenditure to fit the system of revenue estimates, and they have the model of doing sensitive studies. He added that he had given the first set of estimates to the Department of Administration, and many more will be coming out.

Based on the through-put of the pipeline, the six and eight per cent increases in the years 1973 - 1982 are now out of the question. He stated that they will not get to a six per cent increase over the years even with a cost of 26¢ per barrel. He did say that they can support a three per cent increase and still have a positive general fund.

Representative Fink again asked if the Department of Revenue was going to issue any revision. The Commissioner replied no.

Representative Fink then pointed out that \$405,000 was appropriated last year under the investment management BRU. He stated that the Governor had recommended \$616,000. He said \$565,000 was necessary for maintenance. He said the Department of Revenue had not spent anywhere near that amount. Mr. Eppenbach said he had figures through March 20 which showed what had actually been spent and obligations standing. He said that \$84,290 was the amount for normal expenditures: \$13,500 for Communications; \$5,500 for printing; \$14,000 for equipment rentals; and \$45,000 for professional fees. He said that the total cost for the pipeline and oil transcript was \$50,000. Representative Fink said that if they had spent just \$84,000 in nine months of

a year, the department would have quite an amount of money left over. Mr. Eppenbach said yes, if the trend continues, but he said they were talking about how much would be spent per year, not the amount per month. He added that they do plan to spend the amount.

Commissioner Wohlforth said that \$14.5 million had been transferred to the banking system. He said they have also contracted with and will pay a certain company for analysis of pension fund management, and that will be paid on a direct dollar basis.

Representative Fink asked if \$150,000 wasn't for a second outside investment manager. Commissioner Wohlforth said they have been able to get some kind of service and mentioned the Solomon Brothers as well as the Bank of America (without direct cost expenditure). He added that the department was getting into the position of direct management, not just receiving advice.

He said the real thrust of support for additional funds and the justification of current funds involve detailed analysis of what the investment section has done over the last year. He said the department had a great deal of difficulty getting people who had the ability to manage money and evaluate on an individual basis the banking functions as well as quality of service gotten in pension fund management. Specific guidelines of investment must also be sent out, and all must be monitored on a day-to-day basis. He stated that this needs computer support, and added that they can never hope to have a full "in-house" investment capability. Telephone rates must come down.

Representative Fink asked how many investment officers the department had. The Commissioner replied three and the Deputy Commissioner of Treasury (Mr. Eppenbach). He stated they were recruiting for one additional investment officer which they lost in the September 4 airline tragedy. Representative Fink then asked how many they had last year at this time. Mr. Wohlforth replied three.

Mr. Fink said that last year in the budget document, they came up with \$100,000 for the enrichment of the investment program and added \$50,000 for mortgage loan officers. The Commissioner said that Dick Alexander works with the Department of Commerce on the purchase of veteran's loans and housing loans. He said that although his title was not that of a mortgage loan officer, his duties did fall under that category.

Mr. Eppenbach said that with the four investment officers they have one working full time in the mortgage area, one

working on cash flow (GNMA, etc.), one working on research, return, and problems of the pipeline, and one working with the North Slope every day.

Representative Fink stated that the legislature tried to put more people in the mortgage area and less in the investment area, and it seemed that the Department of Revenue had ignored what the legislature had indicated they wanted. Mr. Eppenbach stated that the issue was one of title, and he thought the department had agreed completely with the legislative intent. Mr. Fink stated that they had projected the investment income and other income of the past five years and there was an 8.93% increase. He then asked why the Department of Revenue had not continued with that in their income projections. Mr. Stevenson said they analyzed last three years and it shows a decline in growth rate (with-holding accounting for 85 per cent of individual income tax).

Mr. Stevenson stated that there is a tremendous impact on the North Slope and a \$50 million payroll. He said the rate they have had has gone down. Revenue estimates are now firm. A large amount of capital gain will be seen in the next few months. The only exception is developing interest income. He stated that one problem resulted from when they put the revenue estimate together, they used the pipeline starting date of 1973 so that year would have some impact. If the pipeline starting date until January of 1973, they would drop \$4 million in a variety of items from estimates they have now. Mr. Eppenbach said they still gauge it at \$70 million.

Representative Fink asked the department what their projection had been last year for the pipeline starting date. Mr. Wohlforth said January, 1972. Mr. Stevenson added that they were now pushing for January, 1973. He said they based that on figures they had received in December, 1971. The real impact, said Mr. Stevenson, will come in future years based on the percentage of contracts.

Representative Fink stated that then their budget document figures were wrong when they put it together. Mr. Stevenson said there was no time to get in the revenue corrections. Representative Fink asked then if the Governor's downward figure was correct. Mr. Stevenson said yes.

Mr. Fink then mentioned the series of bond bills which the Administration has introduced. He asked if the Department of Revenue recommends any input as to the amount of bonds which the Administration introduces. The Commissioner stated that as a member of the Budget Review Committee, yes he did. Mr. Fink then asked how he arrived at the number

of bonds to be issued. Commissioner Wohlforth said by the capital improvement program, budgets, and total input and determinations made as to the level of debt service. When Mr. Fink asked how this was done, Mr. Wohlforth emphasized that he did not do this, but the committee does. Revenue projections are part of the key as to how much debt service the state can stand. They issued \$24 million this year and tentatively planned a sale of another \$30 million, some of evaluation and what can be issued based on existing debt service and the full evaluation of \$106 million.

Commissioner Wohlforth said the Bond Review Commission will advise the Administration as to how much debt service they can afford to take. He added that there is a tremendous time lag between the legislative authorization referendum and planning necessary to justify the bond issue and the actual expenditure of dollars. He said that the department felt that the level of the Department of Public Works expenditures that the state has undertaken in the last two years is a substantial level of capital expenditures.

Representative Fink said therefore the amount of bonds introduced were not controlled entirely by the ability to repay the bonds. Mr. Wohlforth said that must be taken into consideration as a major factor and debt service is programmed into the budget and is becoming a large portion of the annual budget.

Mr. Fink said they had talked of \$70 million every two years that they project in various revenue and expenditure estimates. He asked how the department arrived at that. Mr. Eppenbach interjected \$100 million every two years and said that the Department of Administration's new model calculates what the debt service will be.

Mr. Fink said the Department of Revenue seems to have the obligation of coming up with guidelines of a maximum allowable of maximum indebtedness.

Commissioner Wohlforth said that the bond revenue was a three party group. There is a factor which is indicated by not over-bonding during the years 1972 - 1974, hopefully, when they expect heavy expenditure; they feel that level of bond indebtedness will increase the impact and effort on the North Slope. He said that as well as looking at existing debt service schedules and trying to determine some kind of relationship, and since no debt limitation is in Alaska, there has to be a judgement factor that takes into account what is hoped to be the level in the North Slope constructions, etc.

Representative Fink said many bond bills will be raised, and the legislature should be about to ask the Department of Revenue for the outside limits which can be afforded this year in bonds. Mr. Wohlforth said Hawaii limits bonds of 15 per cent of the total assessed value of the state while Connecticut's limitation is based on the percentage of tax receipts.

Mr. Wohlforth said the entire state's total bond indebtedness is \$211 million. He said the state has a bondable capacity of 15 percent of \$2.6 million. In Connecticut the total bond indebtedness cannot exceed 3 & 1/2 times the annual tax receipts.

Representative Fink said he wanted a memorandum from the Department of Revenue listing various standards used, and actual Alaska figures showing those standards.

Commissioner Wohlforth said that, taking out any maturities occurring, General Obligation bonds issued were \$240,842,000. Currently authorized are \$83,558,000.

Mr. Fink then asked what the total amount of bonds amounted to which were requested this year. Mr. Wohlforth replied \$71 million.

Mr. Fink asked if they consider 15 per cent the absolute top, or just a guide. Mr. Wohlforth said as one guide. He explained that the states differ and municipalities are much more in control than the state. The state has unlimited tax resources.

Representative Fink said that if the amount of bonds which Administration submitted are based on judgements as to what capital improvements are necessary, it won't be too influential. There is the likelihood of the legislature limiting itself, but the limiting to \$71 million worth of bonds is very remote. He stated that \$70 million should be the maximum, and Mr. Fink hoped that the Department of Revenue's memorandum puts up a good case for limiting bonds to that figure, because now it looks like it will go over that amount.

Representative Fink asked if \$70 million would be the maximum the committee would buy. Commissioner Wohlforth said he simply could not state that Alaska cannot issue in excess of 15 per cent. There are norms of bond indebtedness which are historical, he added. Mr. Fink said he had never heard norms talked about, and then requested a list of all norms, and those applied to Alaska. He also asked that the relative importance of the norms be included.

RECESS

The meeting recessed at 12:00 p.m.

AFTER RECESS

2:00 p.m.

PRESENT Representatives Ditman, Fink and Haugen were present. Also present from the Department of Law were: Mr. Norman Gorsuch, Deputy Attorney General, and Mrs. Roberta Johnson.

DEPT. Acting Chairman Ditman called the meeting to order and stated
OF that the budget for the Department of Law was under discussion.
LAW He asked Mr. Gorsuch to begin testimony.

Mr. Gorsuch stated that there were three major areas in which they were requesting additional funding over and above maintenance levels.

Consumer One of the three areas is in Consumer Protection. They are ask-
Protec- ing for \$75,000 to establish a separate division of Consumer
tion Protection within the Department. It would handle consumer com-
plaints that arise from the consuming public regarding fraud.
An example of the type of case they would handle is the Alaska
Sleeping Bag Company Case where there was failure to deliver goods.

Prosecu- The next area of change is in Prosecution. He said that although
tion their total request was down because of transfer of positions
within the Department between Prosecution and Legal Services
and moving an Attorney IV from Juneau DA to Anchorage DA to
best utilize services, there is an increase in travel due to
court decisions and bush justice. There is also an increase
for witness expenses due to increase in trials and rental of
equipment.

Mr. Gorsuch said that the additional money they are requesting for travel and witness fees and District Attornies would allow them to furnish better service to these outside communities.

Mr. Gorsuch said there is also an increase for two additional attorney positions and two secretarial positions to work primarily in Native Claims, Pipeline, and Public Land Litigation areas, which the Department of Law anticipates will call upon their resources substantially.

Special Mr. Gorsuch stated they have requested \$100,000 for the Special
Litiga- Litigation Fund for the rest of the fiscal year to be used for
tion contractual services they feel they will have to have to do
a creditable job in pipeline and Native claims areas. He said
it would be a special fund ear-marked for that area.

He said that in the additional funding, they have now established on an income basis special positions funded by federal dollars for certain attornies. They propose to continue those which are mainly inter-departmental contributions.