

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2531

for the hot lunch; the charge was established by the Advisory Board, and it is the first time for a district-wide charge. The revenues from the lunch program go to the General Fund. Adults pay 60¢ for the hot lunch.

Mr. Fink then asked how the determination was made on the types of lunches offered. Mr. Briemo explained that it depends on the facilities available.

Mr. Fink then asked what it cost the state for type "B" lunches which had no charge to students. Mr. Friese said he did not have the figures.

Representative Fink stated that the system for lunch cost should be set where a student without money would still be able to get a lunch without charge, but those students able to pay would do so.

Representative Haugen asked what the cost was for a lunch facility being constructed in a school. Mr. Hayes stated that in (for example) Angoon which has 115 students it would cost \$15,000 to put in the latest equipment. He said that would not include the cost of the building which would run approximately \$45 per square foot in Angoon, and about \$50 per square foot further North. He said that the Department of Environmental Conservation must approve all plans in advance to alleviate sanitation problems. Mr. Hayes said they now have two engineering firms under contract now to give data in order for S.O.S. to devise a plan for the requirements of water and sewer. He said that the solution in some areas is almost impossible.

Representative Wright then asked if there were any resource people other than librarians and music teachers, etc. He said that S.O.S. should negotiate their class size by district. Mr. Friese said he agreed and added that their negotiation agreement states that all policy is negotiable. He said it was developed three years ago, and the Attorney General's office recommended that the sentence in the agreement be deleted, but the State Board did not believe them. He said the negotiation agreement expires this August.

Mr. Hayes stated further that it would take two or three months to develop the programs and get them going and that the department is assuming that at the end of three months, if they want to keep a program, they will expend the additional \$100 thousand to the detriment of the capital project list.

Chairman Hohman stated he felt it would be best to assume that they would be operating at full capacity.

Mr. Warwick asked why some funds were diverted from a construction project at Fort Yukon for 8 additional classrooms. Mr. Hayes stated no funds were diverted; under Chapter 170, SLA 70, there was \$500 thousand budgeted for a project at Fort Yukon based on the impact caused by additional students from a dormitory to be constructed there. The local people decided that the funds should be in an elementary addition, which has been designed to include an alternate because of the concern about escalating construction costs. If the cost is \$40-\$50 thousand, Fort Yukon will be able to get all they planned for; if it goes for more, they will have to cut back or accept the alternate plan. He reiterated that no funds had been deleted from Fort Yukon.

Mr. Warwick stated that the funds were supposed to be \$630,000. Mr. Hayes stated that the Department of Education had said that the funding, under the area and regional schools section of Chapter 170, SLA 70, was \$500,000.

Mr. Warwick asked what the unobligated funds were. Mr. Hayes stated that these funds came out of the Department of Education.

Chairman Hohman asked Commissioner Lind to explain the contingency funds. Commissioner Lind said the \$11 million is in Regional Schools and S.O.S. Mr. Hayes said that S.O.S. is involved, but the funds are in regional and area schools. Mr. Warwick asked who made the determination on how the funds would be spent. Commissioner Lind stated that the Department of Education made the determination.

Mr. Warwick stated that there was some concern among the people in Fort Yukon that even the \$500 thousand wouldn't be spent. Commissioner Lind said he was not sure of the details but that he thought it was a joint venture with Public Health on the water and sewer.

Mr. Warwick stated that Fort Yukon needed the additional 8 classrooms and only 4 were going to be built because of the diversion of the appropriation. He stated, in answer to a question from Commissioner Lind, that he was referring to a resolution adopted by the Tanana Chiefs Conference.

Mr. Hayes stated that the funds (\$500,000) would be transferred to the Division of Buildings and a certain amount of it does not go into construction funds but is subtracted out before construction; there will be \$430 thousand for construction and the architect must not exceed that by more than 10 percent.

Mr. Warwick stated that it appeared that \$135 thousand had been diverted and that there had been alot of switching around resulting in \$2.4 million unobligated funds.

Mr. Hayes stated that he knew that the total cost was almost \$830,00 of which the state is paying \$600,000. He felt that the money was being spent this fiscal year, but it just wasn't in the building project.

Mr. Warwick stated that his understanding was that it was an addition to an existing facility; he asked why so much money was needed for utilities. Commissioner Lind stated that it was a major sewer project where there is now a lagoon which will either be expanded or changed.

Mr. Hayes explained that Public Health was now getting involved because by changing the sewer facility slightly, they could connect the entire village of Fort Yukon; he said the lagoon was in bad shape.

Mr. Hayes stated that of the \$500,000 transferred to the Division of Buildings, \$60-70 thousand would be for the architect's fee and a sizeable amount must be held for program contingency for unanticipated problems.

Mr. Warwick asked that he be provided with a project description and a schedule for the Fort Yukon project.

Chairman Hohman asked under whose jurisdiction were the state schools such as Annette, Bethel and Galena. Mr. Hayes stated they were under S.O.S.

Chairman Hohman asked what was planned for the 10 classroom elementary school at Bethel. Mr. Hayes stated that it was proposed to be funded under this program and is

number 9 on the priority list for which we have requested funds.

Chairman Hohman stated that the intent letter allocates \$1.15 million for that project; the same letter, under "relocatables", allocates \$1.241 million for a secondary school for Nelson Island.

Mr. Hayes stated that the intent was to go ahead with the consortium and come up with a "needs study", but not enough funding was available from the other agencies to do this. Chairman Hohman stated that this was authorized two years ago. Mr. Hayes stated that the original idea was to do the needs assessment through the change process, and this was not implemented. Chairman Hohman stated that was after the time when the department came in with the bond bill, so they really couldn't have been dependent upon the change process to determine the need. Mr. Hayes stated he would have to research that. Chairman Hohman stated that he would like to meet with Mr. Hayes and Mr. Friese tomorrow and see where we are with respect to the Bethel Elementary School and the Nelson Island School.

Mr. Haugen asked Commissioner Lind what he felt about the state getting plans for certain schools to be utilized all over the state in order to avoid architect's fees. Commissioner Lind stated his department had just finished a meeting with representatives of St. Regis Paper Co. on this idea and has done some work on the concept. He stated they needed to determine, in relation to modular construction of schools, whether they could come up with standardized design, whether it could reflect the local philosophy of the area it served and whether they could have a pilot program in some area. He felt there was a great deal of potential savings to the state in the concept, and that further savings might be implemented if they could be ordered in quantity. Further savings would be felt if the construction time for a school were cut down from, for example, two years to six months, since there would be 18 months savings in dormitory or boarding costs.

Mr. Degnan asked what had happened on the White Mountain and Shishmaref schools. Mr. Hayes stated the Shishmaref school had been delivered and was being used; on the White Mountain School, the engineering firm has been trying to come up with a sewer system, and there appears to be a possibility if a lagoon can be implemented. The department had received permission last week to begin school construction prior to implementation of sewer systems.

The meeting adjourned at 6:15 p.m.

AFTER RECESS
8:45 a.m.

Present: All members except Mr. Wright.

DEPT. OF FISH AND GAME Chairman Hohman called the meeting to order and said the committee would finish the closing of the budget for the Department of Fish and Game (see pages 337-339).

Mr. Ditman continued with the figures for the Department of Fish and Game:

Program Category	Budget Request Unit	Committee Allowance
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Res	Game	2,350.9
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Mr. Ditman stated this figure represented the 1971 actual expenditures plus 10 percent.

Res	Protection	45.2
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Mr. Barker explained that the department had come in with a revised request based on reduced federal funding and increased state general funding. Their intention is to set up another division within the department to receive federal funds and transfer them to the Department of Public Safety.

It was the consensus of the committee to transfer 2,086.5 to Public Safety for Protection, leaving 45.2 in the Hunter Safety Element. The 2,086.5 would be all general fund monies.

Res	Fisheries Rehabilitation, Enhancement and Development	674.5
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Mr. Barker read the list of proposed projects for FY 73 from the division's annual report. They included:

1. Continuance of southeastern stream clearance;
2. Second phase of Akalura red salmon rehabilitation;
3. Continuance of saltwater rearing program;
4. Continuance of gravel box incubation system development;
5. First phase of sockeye rehabilitation in Cook Inlet;
6. Initiation of fish passage construction in Southeastern, Prince William Sound, Cook Inlet. Also, investigation of other possibilities throughout the State.

7. Background surveys for other sockeye rehabilitation possibilities;
8. Intensification of whitefish development program;
9. Intensification of clam development program;
10. Background surveys for coho and king salmon enhancement.
11. Continuance of Frazer Lake sockeye enhancement.

Res Administration and Support 2,040.3

The above figure is the Governor's revised recommendation; it transfers three clerical support positions to the Department of Public Safety (Patrol, Protection and Apprehension) for the Protection program. The committee figure eliminates the planning section.

Res Habitat -0-

It was the feeling of the committee that the elements of this category are being provided by other departments of state government; therefore, this category is not necessary within this department. Elements of the category and the departments performing the functions are as follows:

Element	Department
Land Use Planning	Nat. Resources
Water Planning	Env. Conservation
Access	CIP Budget
Permits	Env. Conservation

Dev King Crab Quality Control 100.0

TOTAL COMMITTEE ALLOWANCE FOR THE DEPT. OF FISH & GAME 11,145.6

Mr. Ditman moved and asked unanimous consent that the committee tentatively close the budget for the Department of Fish & Game; there being no objections, it was so ordered.

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

AFTER RECESS
2:40 p.m.

PRESENT All members except Mr. Ditman. Commissioner Irene Ryan, Department of Economic Development, and members of her staff were present. Commissioner Joe Henri, Department of Administration was also present.

ECONOMIC DEVELOP-
MENT Chairman Hohman called the meeting back to order and said the budget request for the Department of Economic Development was under discussion. Mr. Hohman asked Mr. Henri to speak first.

Mr. Henri said there were two things he wanted to speak about: the A.I.F.C. Steering Committee request for \$15,000 and the S.B.D.C. increase of \$62,500.

He stated that the A.I.F.C. Steering Committee is a task force, but what they would do would be to come up with proper legislation and projects that could be discussed next year for an Industrial Finance Corporation. He said he was sure he had related this to them before. In June of 1971, he and Commissioner Wohlforth went to Washington and spent a day at the World Bank and learned a lot about their philosophy and how they do business. In October, He and Wohlforth and Ryan and others went to a two-day seminar about Industrial Finance Corporations. The only missing ingredient in Alaska seemed to be projects ready to go. He didn't think that was because of lack of projects, but because of a lack of research in working out projects that could go.

Mr. Henri said An Industrial Finance Corp. would make hard loans at 40% or 50% which would mean banking in other major financiers. This is exactly how World Bank conducts it-- they have a series of economists and bankers there to evaluate projects.

Mr. Henri thought the A.I.F.C. would give our state the biggest single "shot in the arm" as far as the industry end of it. It would give the state a first rate staff of people who understand economics and financing and who would make loans only on the soundest basis.

Mr. Henri stated that the \$15,000 would allow the work to be done so that a presentation could be ready for next year.

Mr. Henri went on to talk about the Small Business Development Corporation fund injection. He said that right now local corporations were required to raise 10% and then SBA

will make a loan for 90%. However, in Alaska it is difficult to get local corporations to raise 10% although many times they can raise 5%. What is needed is state dollars to pay the other 5%.

Mrs. Ryan said that all loans are current. She said they just participate in the loans which the Local Development Board directs. She said they have leans on all the payments.

Mr. Fink asked if the money was due back almost immediately, and Mrs. Ryan said it was due almost immediately upon final signing of the papers.

Mr. Werner, the Deputy Commissioner, added that they had one 10-month abeyance perio for one loan that was on a seasonal business. All the others are due upon signing of the papers.

Mr. Warwick asked what the Fish Marketing Advisory Board was. Mrs. Ryan said this was developed from one of the pieces of legislation that came from the fisheries people that are actually operating in the State. They wanted a Board established to help with problems in local areas where they are developing small indigenous fisheries plants in the State of Alaska. It would take care of similar problems in the crab industry.

Mr. Warwick commented that there were several programs in Fish and Game which seemed to carry out the same function.

Mrs. Ryan said as far as her department is concerned, Economic Development, was responsible for all programs on package marketing and distribution of all products.

Mr. Hohman said that in the Department of Economic Development they were talking about three budget request units: (1) Promotion of Tourism; (2) Promotion of Economic Enterprise; and (3) includes Commissioner's Office, Administrative Services, A.I.F.C. Steering Committee, and Fish Marketing Advisory Board.

Mr. Warwick asked about brochures done for Economic Enterprise. Mrs. Ryan said that last year their budget had been cut 100% and they hadn't put out any heavy brochures, though they had done 5 small brochures.

She went on to talk about other matters which came under Economic Enterprises. For example, they get many letters which require more than just form letter type answers, such as some one who is interested in starting a textile business in Alaska. They have to prepare environmental impact statements on economic impact benefits. They've spent a great deal of time this past year--almost a month--on an impact statement for the pipeline. They also have prepared a directory of Alaskan employers.

They went on to speak on the BRU, Promotion of Tourism. Mr. Wright asked if there was any emphasis being placed on more tourism in the winter. Mrs. Ryan said yes. One of the major attempts to stretch the season is the September operation, which stresses the beauty of fall in Alaska. They are also working on a spring campaign to get the people to Alaska earlier in the year. They are also talking of promoting and advertising winter sports in Alaska.

Mr. Wright asked if the Department had established a position paper on tourism on where they were and where they were going. Mrs. Ryan said yes, and she would send copies to the Committee.

[Mr. Ditman arrives.]

Mr. Seymour gave the committee a narrative on what he needed for the Alaska Visitors' Association.

RECESS Meeting recessed at 3:30 p.m.

AFTER RECESS

3:35 p.m.

Present: All members except Mr. Wright.

DEPT. Chairman Hohman called the meeting to order and
OF said the committee would consider the budget for
LAW the Department of Law.

Mr. Fink moved the following figures for a tentative close of this budget.

Program Category	Budget Request Unit	Committee Allowance
PP	Consumer Protection	175.0
Jus	Prosecution	1,318.0
GG	Legal Services	<u>1,899.5</u>
	Total	3,392.5

The figure recommended for Consumer Protection is the same as the Governor's Allowance.

Mr. Fink's recommendation for Prosecution is \$1,318.0 and the Governor's recommendation is \$1,349.6. He said the Department had testified part of their increase was due to the passage of legislation which related to the place of trials and required extra travel. Mr. Fink said that passage of COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 310 (relating to place of trial; changing Rule 18, Rules of Criminal Procedure) will partially correct this and will enable a savings in the cost of travel in the state.

Mr. Fink's recommendation is \$1,899.5 for Legal Services. The Governor's Allowance is \$2,211.4. He said the Department requested money for special law suits and his contention is that this can be handled within the Department and within their normal contractual amounts.

The committee tentatively accepted the total of \$3,392.5.

Recess: The committee then went into a bill session (see bill minutes).

AFTER RECESS

4:35 p.m.

Present: All members except Mr. Degnan and Mr. Wright. Representative Bradner and Speaker of the House Guess; Mr. Usher and Mr. Berrier from the City and Borough of Juneau; and Commissioner Easley and Mr. Benson from the Department of Public Works, were also present.

LEGISLATURE

Chairman Hohman called the meeting to order and said the committee would discuss the possibility of making provision for legislative space on the community college site.

The Department of Public Works had provided handouts on this proposal and Mr. Easley said this would provide five modular units and that these units would be reuseable.

Mr. Hohman asked about the cost for demolition of the site. Mr. Easley said this had been provided in the estimates. Mr. Hohman asked if there would be some economy in doing this at the same time as the demolition planned for the courthouse site. Mr. Easley said this "could very well be".

Mr. Warwick asked what type of lease arrangement for this site could be made with the City. Mr. Usher said there are several proposals for this land the most eminent one being a playground for the Capital School. Mr. Usher said if the committee wished he would discuss this with the Assembly at their meeting tonight. This way he could get a firm reaction from the Assembly.

In answer to Mr. Warwick, Mr. Berrier explained that they have submitted a claim to the University of Alaska for \$100,000 but the insurance has not yet been settled. He said they anticipated that this money would be used as revenue to tear down the building.

Mr. Warwick asked what the cost of the lease would be for a two year period if this space was used for the modular units. Mr. Usher said they felt this would be about \$900 a month or \$20,000 over the two year period. Mr. Berrier explained this figure had been arrived at by using a 6% rental

figure based on the value of the land.

Mr. Fink said because of the uncertainty of the insurance claims, if the state goes ahead with the demolition they may or may not get their money back. Mr. Usher said they felt they have a legitimate claim and they take the position that this amount is owed the City of Juneau by the University.

Mr. Usher said before he recommended approval he would like to see what is planned for the location and whether or not it includes parking.

Mr. Degnan entered the meeting.

The committee then discussed parking and Mr. Easley said he did not see a problem in working in parking on the site.

Representative Guess left the meeting.

Mr. Fink asked how many legislative offices are presently in the Cooper Building. This Building will be torn down during the interim. Mr. Bradner listed the legislative offices in the Cooper Building. Mr. Bradner then discussed the alternatives that could be used. He noted that the legislature is presently very "crammed" in their present quarters.

Mr. Hohman asked if there would be any use for these modular units during the interim when the legislature is not in session. Mr. Easley said at the present time they do not have any use for these units but they do have continuous requests for relocateable units. The committee went into an executive session at 5:15 p.m.

Recess:

AFTER RECESS

9:45 a.m.

Present: All members.

DEPT. OF
HEALTH
& SOCIAL
SERVICES

Chairman Hohman said the committee would consider a tentative close for the Department of Health and Social Services.

Mr. Wright and Mr. Degnan recommended the following figures.

Program Category	Budget Request Unit	Committee Allowance
Educ	Special Education Grants same as the Governor's Allowance.	16.0
Educ	AMU Nursing Program last year's authorized.	175.0
SS	Office of Aging same as the Governor's Allowance with the exception of code 700: 136.1 (maintenance FY 73)	217.2
SS	Disabled code 100: disallowed two new clerks (1 in Anchorage and 1 in Fairbanks) code 200: 10.7 code 400: reduced by \$76,000; the department noted an increase in drug prices and the subcommittee disagreed with this. code 500: equipment deleted because it relates to new positions which were disallowed.	8,348.7
SS	Family Services code 100: disallowed 5 social workers and 3 clerical workers Foster Care. disallowed two Eligibility Worker I's in Anchorage, Admin. & Support	15,510.6

code 200: 170.0 (maintenance FY 73)
code 300: subcommittee decreased this under Institutional Care because the caseloads have been declining. Subcommittee decreased Day Care, this deletes Operation Upgrade. Mr. Vernon explained this had been deleted last year, Free Conference restored it to \$200,000 and the theory is this money is still there.
code 400: The subcommittee recommended 22.5 (Authorized FY 72).
code 500: The subcommittee recommended .5 (Maintenance FY 73).
code 700: The subcommittee recommended 10,267.2 (same as the Governor's recommended).
code 800: The subcommittee recommended 500.1 (same as the Governor's Recommended). This allows for the assumption of Alcantra as a child care center. The committee asked that Mr. Adams and Mr. Harris from the Department be asked to testify later in the day on this subject.

Recess:

The meeting recessed at 11:45 a.m.

AFTER RECESS

1:00 p.m.

Present: All members. Mr. Stan Harris, Department of Health and Social Services, was also present.

HEALTH &
SOCIAL
SERVICES

Chairman Hohman called the meeting to order. Mr. Fink said that some of the committee felt that Alcantra should continue as a Corrections institute instead of transferring to the Division of Family and Childrens Services.

Alcantra Mr. Harris explained that for quite some time the caseload at Alcantra had been going down. He said this got down to as low as 8 youths. This was basically because they have done a good job in the program and are keeping kids on probation in their own home towns. Mr. Harris said at that point it looked like it might be well to change the focus of the institution. He pointed out that his division (Family and Childrens Services) could not place their children in a Corrections' facility but Corrections could place their children in a Family and Childrens Services facility. Mr. Harris said that Title IVA monies had also played a part in this decision as the Division of Corrections could not collect any of these funds while his division could. Mr. Harris said they had planned to build an institution at Palmer which involved a \$350,000 capital outlay and this seemed senseless when they had an institution 15 miles away that wasn't really being utilized.

Mr. Fink asked what will happen to the kids at Alcantra. Mr. Harris said that some of them will remain at Alcantra and others will go to McLaughlin.

Mr. Fink asked where the children in Mr. Harris' care are now going. Mr. Harris said they place them in group foster homes, Jesse Lee Home, etc. He said they have about 14 different institutions where these children now go. He said they will continue to use these institutions but there has been a steady increase in the number of children.

Mr. Fink asked if they need Alcantra. Mr. Harris said they had planned to build another institution but did not feel they needed two institutions.

Mr. Fink asked how many children are under this division. Mr. Harris said about 900, counting foster care children.

Mr. Wright asked what they anticipate the daily cost per child at Alcantra will be. Mr. Harris said this will probably run between \$22 and \$25 per day. In answer to Mr. Wright, Mr. Harris said the cost in other facilities run from \$15 to \$42 a day. Turning Point Ranch is \$42 a day. Jesse Lee Home costs run from \$22 up to \$25 a day, Mr. Harris said.

Mr. Wright asked what criteria is used for placing children at Jesse Lee or Alcantra. Mr. Harris said this depends on the child's particular needs. He pointed out that Alcantra does have vocational training, workshops, etc. He said a committee composed of three or four people decide what kind of placement a child needs.

Discussion then followed on the Jesse Lee Home.

Mr. Fink asked if the federal money would be available for foster homes. Mr. Harris said yes, but the only difference is staff members from Corrections are 100% state funds while the Division of Family and Children Services payroll is 75% match (75% federal funds and 25% state).

Mr. Hohman asked if there were any ASHA buildings for the operation at Alcantra. Mr. Harris said he did not think so. Mr. Hohman requested the staff to investigate this.

The committee then discussed the full cost of care concept and Mr. Haugen said he thought they should have a full scale investigation of this practice.

Mr. Wright asked when Alcantra started this downward trend. Mr. Harris answered about a year ago.

In answer to Mr. Fink, Mr. Harris said that under the existing law run aways are not reported -- the police will not pick them up under the existing law. In answer to Mr. Wright, Mr. Harris said they do have a voluntary placement arrangement.

Mr. Warwick asked what kind of child will be placed in Alcantra. Mr. Harris said this will probably be a child who has been placed in two or three foster homes.

Mr. Hohman asked what the difference would be between a dependent neglected child and a child from Corrections.

Mr. Harris said an average dependent neglected child is one whose parents have neglected or abandoned him. Mr. Hohman asked the characteristics of a Corrections child. Mr. Harris said this is a child who has committed some "so called criminal act". In answer to Mr. Hohman, Mr. Harris said a child in Corrections would be treated more rigidly and they would be certain things they could or could not do while this would not be true of a child in their custody.

Mr. Fink asked of the 80 cases reported of child abuse how many were actually child abuse. Mr. Harris said a relatively small number -- probably 8 or 10 were actually child abuse cases.

Representative Kerttula and Mr. Emil Notti, Deputy Commissioner of the Department of Health and Social Services, entered the meeting.

Representative Kerttula reviewed what had happened at Alcantra. He said he felt there were both pros and cons to placing this in the Division of Family and Childrens Services. Discussion followed. Mr. Fink said he felt that the committee should also hear testimony from the staff of the Division of Corrections in order to get their view.

The committee then returned to the discussion on the budget for Health and Social Services.

Program Category	Budget Request Unit	Committee Allowance
SS	Special Fed. Projects	-0-
	The Governor's Recommended was 20,535.1. The subcommittee recommended deleting this in order to have it go through the Budget and Audit Committee.	
SS	General Assistance	1,242.9
	The subcommittee recommended increasing the Food Stamp Program to 918.0.	
SS	WIN - AFDC	1,033.6
	The Governor's Allowance was 1,380.0; however, the subcommittee noted that the training slots had increased by 39% and they increased the funding by 39%.	
SS	Administration & Support - DDFCS	1,580.0
	The subcommittee recommended that this be lowered to 1,580.0. The Governor's Recommended was 1,711.0. The Department had indicated they had a 30% increase in caseloads and requested a 33% increase in travel to accomodate this; however, the staff said this is actually an 18% increase so the subcommittee recommended an 18% increase.	
SS	Administration & Support - DHSS	1,235.8
H	Public Health	6,121.3
H	Mental Health	7,762.7
H	Alcoholism	1,915.5
H	Drug Abuse	424.9

Program Category	Budget Request Unit	Committee Allowance
H	Comp. H. Pl. & Fac. Dev.	342.9
Jus	Reformation of Offenders	8,746.7
GG	Vital Statistics	132.6

Adjournment: The meeting adjourned at 4:45 p.m.

NOTE: See short form budget for explanation of cuts.
Adjustment was also made for vacancy and turnover,
and the above figures were changed.

HOUSE FINANCE COMMITTEE

April 23, 1972

11:00 a.m.

Present: All members and Representative Dick McVeigh.

DEPT. OF MILITARY AFFAIRS Chairman Hohman called the meeting to order and said the committee would consider the budget for the Department of Military Affairs. Chairman Hohman moved that the following figures be accepted:

Program Category	Budget Request Unit	Committee Allowance
PP	Civil Air Patrol	106.0
PP	Disaster Planning & Control	501.9
	Increase of 20.0 over Governor's Recommended to fund moving the Alaska Disaster Office into the Highway Complex Building in Anchorage (see page 352). Funding: General Fund, 10.0; federal	
PP	Military Preparedness	1,353.6
	Mr. Fink stated that the above figures would not fully fund the educational and re-enlistment bonus bills passed by the House this session; it was the concensus of the committee that these amounts should be added into the budget if the bills passed the Senate.	
TOTAL COMMITTEE ALLOWANCE FOR THE DEPT. OF MILITARY AFFAIRS		1,961.5

Chairman Hohman moved and asked unanimous consent that the committee tentatively close the Department of Fish and Game; there being no objections, it was so ordered.

DEPT. OF ECONOMIC DEVELOP. Chairman Hohman stated that the Committee would consider the budget for the Department of Economic Development. Mr. Warwick moved that the following figures be accepted:

Dev	Promotion of Tourism	1,150.0
	Increase represents an additional 350.0 over last year's budget for advertising.	
Dev	Promotion of Economic Enterprise	553.2
	Figure represents Governor's Revised Recommendation and includes 60.0 for matching SBA funds.	

DEPT. OF
ECONOMIC
DEVELOP.
Cont'd.

Program Category	Budget Request Unit	Committee Allowance
Dev	Office of the Commissioner	<u>376.0</u>
TOTAL COMMITTEE ALLOWANCE FOR THE DEPT. OF ECON. DEV.		2,079.2

Mr. Warwick moved and asked unanimous consent that the committee tentatively close the budget for the Department of Economic Development; there being no objections, it was so ordered.

DEPT. OF
EDUCATION

Chairman Hohman stated that the committee would take up the budget of the Department of Education. Mr. Warwick moved that the following figures be accepted for the Department of Education:

Program Category	Budget Request Unit	Committee Allowance
Educ	Financial Support Program	93,435.6
	Foundation Program	72,300.0
	Transportation	5,700.0
	Debt Retirement	3,500.0
	Revenue Sharing	2,500.0
	Sabbatical Leave	45.0
	Teacher Retirement	3,005.8
	Federal Programs	5,990.8
	Out of District Students	394.0

Chairman Hohman asked that the Department of Education be instructed to provide the committee with a memo indicating the difference in services funded by the House Finance Committee as compared to the Senate Finance Committee's version of the budget and to list the areas served.

Educ	Tobacco Tax Distribution	1,645.0
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Educ	Operating Programs for Rural Students	4,945.4
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Representative McVeigh left the meeting at 12:40 p.m.

Educ	Administration & Support	1,860.0
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Educ	Student Aid	4,000.0
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	Scholarship Loan Program	4,000.0
	Pmts. in Lieu of Tuition	-0-
	Grant in Aid	-0-
	Other	-0-

Educ	State Library Network	583.9
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DEPT. OF
EDUCATION
Cont'd.

Program Category	Budget Request Unit	Committee Allowance
Educ	Educational Broadcasting Commission	392.0
	The above figure represents the agency's request.	
Educ	Adult Basic & Continuing Education	1,255.0
SS	Vocational Rehabilitation	2,745.4
SS	Institutional Manpower Training	<u>1,277.3</u>
TOTAL COMMITTEE ALLOWANCE FOR THE DEPT. OF EDUCATION		112,139.6

Mr. Warwick moved and asked unanimous consent that the budget for the Department of Education be tentatively closed; there being no objections, it was so ordered.

Recess The meeting recessed at 1:17 p.m.

AFTER RECESS
2:50 P.M.

Present All members.

DEPT. OF EDUCATION Referring back to the close out of the Department of Education, Mr. Wright suggested that a figure of 1% of the Foundation Programs be added into the Department of Education's budget for special, innovative programs, to be made available to all districts upon application. It was the consensus of the committee to defer this matter until a later time.

DEPT. OF HIGHWAYS Chairman Hohman stated the committee would take up the budget of the Department of Highways.

Mr. Ditman moved that the following figures be accepted by the committee for the Department of Highways:

Program Category	Budget Request Unit	Committee Allowance
Trans	Maintenance	16,802.4
Trans	Administration & Support	5,278.2
GG	Highway Working Capital Fund	<u>6,874.6</u>
TOTAL COMMITTEE ALLOWANCE FOR THE DEPT. OF HIGHWAYS		28,955.2

Mr. Ditman moved and asked unanimous consent that the budget for the Department of Highways be tentatively closed; there being no objections, it was so ordered.

DEPT. OF PUBLIC SAFETY Chairman Hohman stated that the committee would take up the budget of the Department of Public Safety. Mr. Fink moved that the following figures be accepted by the committee:

Program Category	Budget Request Unit	Committee Allowance
PP	Individual Protection	1,023.0
Jus	Prevention of Crime	35.0
Jus	Patrol, Detection & Apprehension	5,451.7
	Includes transfer of 3 clerical support positions from the Dept. of Fish and Game (see page 367).	
Jus	Judicial Services	574.4

DEPT. OF
PUBLIC
SAFETY
Cont'd.

<u>Program Category</u>	<u>Budget Request Unit</u>	<u>Committee Allowance</u>
Jus	Supporting Technical Services	944.6
PP*	Fish & Game Protection	2,086.5
	General Fund monies transferred from the Department of Fish and Game (see page 366).	
	*New Program Category.	
TOTAL COMMITTEE ALLOWANCE FOR THE DEPT. OF PUBLIC SAFETY		10,115.2

Mr. Fink moved and asked unanimous consent that the budget for the Department of Public Safety be tentatively closed; there being no objections, it was so ordered.

Adjourn The meeting was adjourned at 4:00 p.m.

HOUSE FINANCE COMMITTEE

April 24, 1972

9:15 A.M.

Present All members except Mr. Ditman; also present was Representative Ed Barber.

DEPT. OF ADMIN. Chairman Hohman stated that Representative Barber was present to talk to the committee about his concern for properly funding the Records and Archives Section of the Department of Administration.

Representative Barber explained to the committee his experience and interest in this field; he stated he was once considered the only archivist in the State of Alaska. He said that, because of his interest in the field, he had discussed with the state archivist on numerous occasions the duties of her office. She had recently made known to him her unhappiness with the Senate Finance Committee's budget for her operation, and Representative Barber stated that he felt the Records and Archives Section was entitled to a greater amount of consideration for this important function.

Representative Barber stated that he understood there were three additional offices authorized for this section which were not funded, and he asked that the committee give consideration to these offices. He stated that a well-run Records and Archives Section could result in considerable savings to the state. He also said that he would like to see at sometime this unit put into a proper records storage building; the cost for such a facility should be approximately one-half of that for a normal office as it only has to be maintained at about 60 degrees. Such a facility should have a sprinkling system, although properly stored records are virtually fireproof since they are packed so tightly. He stated he would like to see the state on the road to a proper records management program and would like the legislature to give this person every assistance possible.

Representative Wright stated that the Senate had cut that figure in their budget to 112 and unless the House Finance Committee specified a precise figure for the Records and Archives Section, there would be a partial cut made under the tentative closing figure of the Department of Administration's budget. The Governor approved the agency request of 166.

Representative Barber stated that the records double every ten years. He also stated that a good forms person could save the state a tremendous amount of money in copying costs. Chairman Hohman read from the agency request which asked for a forms coordinator position as a number one priority.

Mr. Warwick asked how big a building would be needed for the Records and Archives unit. Representative Barber stated he had not developed any figures; alot would depend on the records since different records have a different life expectancy.

The committee discussed the building in the subport which was once scheduled for use by this unit. Representative Barber stated he was simply interested in the financial plight of the unit, particularly the new positions requested. He said he had heard that the unit would be put in the new courthouse building which, he felt, was far too expensive quarters for storing records.

Recess

The meeting recessed at 9:45 a.m.

AFTER RECESS
11:30 A.M.

Present All members.

DEPT. OF PUBLIC WORKS Chairman Hohman called the meeting to order and stated the committee would consider the budget for the Department of Public Works. Mr. Ditman moved that the committee accept the following figures:

Program Category	Budget Request Unit	Committee Allowance
Trans	Marine Transportation	15,191.0
Trans	Air Transportation	12,486.2
	Anchorage International Airport	5,356.9
	Fairbanks International Airport	2,156.6
	Trunk and Secondary Airports	4,008.7
	Administration & Support	964.0
	Planning	110.8*
	General Design	300.5
	Engineering Support	138.0
	Administration	404.7

*This figure represents the Governor's Recommended with an addition of 30.0 for a feasibility study for an airport in the Lower Yukon area.

Trans	Administration and Support	739.4
GG	Buildings	6,077.2
GG	Communications	848.1

The committee discussed the fact that the department had asked Code 300, Contractual Services, under Air Transportation to be increased by 129.9 to authorize expenditure of Anchorage Airport parking facility receipts. It was the concensus of the committee that this matter should be determined by the Budget & Audit Committee under the revised program procedure.

TOTAL COMMITTEE ALLOWANCE FOR THE DEPT. OF PUBLIC WORKS	35,541.9
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Mr. Ditman moved and asked unanimous consent that the committee tentatively close the budget for the Department of Public Works; there being no objections, it was so ordered.

Recess The meeting recessed at 12:05 p.m.

AFTER RECESS
1:55 p.m.

Present: All members.

Legislature

Chairman Hohman called the meeting to order and announced that the committee would consider the budget for the Legislature. The subcommittee recommendations were as follows:

<u>Program Category</u>	<u>Budget Request Unit</u>	<u>Committee Allowance</u>
GG	Legislature	2,972.5
	Legislative Affairs	2,434.4
	Legislative Audit	377.0
	Legislative Finance	161.1

Mr. Hogan distributed a summary sheet which explained the revisions to this budget. He said that Legislative Affairs is for 100 temporary legislative employees as opposed to 98 and is for a 120 day session as opposed to 90 days (in the original request). This also raises the legislative per diem to a total of 125 days. He said the 2,434.4 would allow the new positions.

Mr. Hogan explained that in both Legislative Finance and Legislative Audit they had restored the vacancy and turnover factor. He said both of these budgets had been prepared at the actual salary level instead of at step c and there was no money to pay the merit increases. The subcommittee recommendation was to increase code 100 by \$17,050 in Audit and \$7,020 in Finance.

Mr. Hogan said that the Budget and Audit Committee had substantial expenses this past interim and the subcommittee recommended \$7,500 be added to travel in Audit and \$7,500 be added to travel in Finance (the total of \$15,000 is shown under the Audit budget). Mr. Hogan said this will provide for Finance and Audit members to attend such things as the National Legislative Conference. He said the Budget and Audit Committee phone expenses were quite high and an additional \$1,500 had been added to Audit, code 300.

Mr. Hogan explained that an additional \$1,000 had been added to Finance, code 500 to replace the file cabinets presently in the Finance rooms. Mr. Warwick suggested that the old cabinets might be used in the relocatable units (being considered for the Community College site) planned for the Legislature.

Mr. Fink suggested that the Legislature be shown in the budget bill under the three separate units (Legislative Affairs, Legislative Audit and Legislative Finance). The committee agreed with this.

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

AFTER RECESS
6:10 p.m.
(Closed Session)

Present All members.

UNIV. OF ALASKA Chairman Hohman called the meeting to order and stated the committee would take up the University of Alaska's budget. The committee had previously decided to abandon the shortform budget in favor of the attached chart for purposes of considering this appropriation.

Chairman Hohman moved that the Subcommittee Allowance figures shown on the chart be amended to include \$116,000 for the Kuskokwim Community College.

Mr. Wright moved that the "College - Public Service" category be increased by \$14,400 to provide for community colleges at Nome, Petersburg and Wrangell.

Chairman Hohman moved and asked unanimous consent that the total budget for the University of Alaska be set at \$32,417,500 to include \$116,000 for the Kuskokwim Community College and an addition of \$14,400 to the "College - Public Service" category as moved by Mr. Wright.

Mr. Warwick objected, stating he wanted to increase the category "College - Instruction" to \$11,678,600. Mr. Fink stated that he wanted to increase the Anchorage Community College funding by \$200,000.

Hearing no other objection, Chairman Hohman ruled that the motion for a total figure of \$32,417,500 for the University of Alaska had carried.

The meeting adjourned at 7:00 p.m.

UNIVERSITY ALASKA
COMPARATIVE BUDGETS -- FY 73

	FY 72 Auth.	FY 73 Maint.	FY 73 Request	FY 73 Model	1	2	Subcommittee Allowance	Committee Allowance
Sitka	76,900	92,500	81,200	48,900	57,700		76,900	
Ketchikan	159,500	191,600	168,300	124,400	134,600		159,500	
J-D Community College	177,700	211,200	187,500	158,700	168,800		177,700	
Juneau Sr. College	60,000	65,100	63,200	96,600	96,600		65,100	
SE Regional Center	41,500	77,700	43,600	N/A	42,700	500,400	43,600	
Mat-Su	61,900	100,900	65,300	77,400	81,000		81,000	
Kodiak	82,600	141,900	87,100	99,000	104,800		104,800	
Kenai	73,400	132,300	77,400	124,500	129,200		129,200	
Anch. Community College	2,194,200	2,960,900	2,314,900	2,559,100	2,563,400		2,960,900	
Anch. Sr. College	945,600	1,504,700	931,600	2,709,900	2,709,900		2,199,000	
Kuskokwim Community Coll.								116,000
Southcentral Reg. Cntr.	129,900	247,200	203,100	N/A	133,800	5,722,100	247,200	
College - Instruct.	11,251,200	13,054,600	12,007,100	10,073,100	11,478,600		11,550,000	
College - Ind. Op.	3,281,600	3,479,800	3,479,800	N/A	3,380,000		3,479,000	
College - Org. Rsch.	4,672,100	5,438,900	4,929,000	N/A	4,812,300		4,812,300	
College - Pub. Svc.	1,651,400	1,919,400	1,738,500	N/A	1,700,900	21,371,800	1,900,900	1,915,300
Central Governance	3,901,000	4,852,200	4,238,400	N/A	4,018,000	4,018,000	4,300,000	
T O T A L	28,760,500	34,470,900	30,616,000		31,612,300	31,612,300	32,287,100	32,417,500

1 FY 72 + 3% for non-formula + 80% of FY 72 Unaccounted

2 Column grouped by region

AFTER RECESS
5:40 p.m.

PRESENT All members.

SOCIAL
SERVICES

Chairman Hohman called the meeting back to order and stated that they would deal with the budget for Social Services. Mr. Hohman referred to page 320 of the Budget Supplemental. He had questions regarding Family Services--specifically regarding Foster Care payments and Institutional Care payments.

Glen Vernon referred them to page 44 of the short form (page 7 of the Senate Budget Bill). He said that the House figure for Foster Care is \$1,047,000. This is based primarily on having contractual services on the same level as FY 72. The Senate figure is about \$2,000 higher. Essentially the rationale is that Foster Care is not increasing very rapidly. Neither is Institutional Care. Both have extra funds this year that they have been able to divert to other areas. This is why they have reduced below the Governor's recommended and below the agency request. He said he had given them a memorandum on this matter. Mr. Vernon said that because they don't ask for anything in a supplemental for Foster Care or Institutional Care where the amount authorized in 1972 was below what they actually spent in 1971, he is led to believe they are not going to have a very rapid rate of growth. Mr. Vernon thought the Senate amount for Foster Care was adequate.

Mr. Hohman asked about Adoption Service on page 8 of the Senate Bill. (page 48 of the short form). Mr. Vernon said that because of taking vacancy and turnover out, \$56,500 is exactly the same figure as the Senate figure. The rationale in the House is because of the Abortion Law there are practically no children to adopt, so they can't determine whether the increase is valid or not. He said the Senate Budget would allow two new adoption workers in Anchorage.

Mr. Hohman asked about Communicative Disorders (page 10 of the Senate Budget & page 11 of the Health Short Form). The House allows \$161,000 and the Senate allows \$164,000. Mr. Vernon said the reason the House figure is due to allowing existing positions.

Mr. Hohman referred to Line 27 of the Senate Budget Bill where it says Development, Disabilities and Grant Consultation. He noted that the House provided no funding for it. Mr. Vernon said no backup was given in the Senate Budget for this. (page 34 of short form).

Chairman Hohman asked what was indicated for vacancy and turnover in the Social Services budget. Mr. Fink said that 10.7 was what had been used. He said they were talking about changing it to 7.5.

Mr. Vernon guessed that the total vacancy and turnover for the total area of Health and Social Services came to about \$4 million. He went on to say that the Senate didn't use a percentage for vacancy and turnover, but did it on an individual basis.

Mr. Vernon said that the total figure had changed. He referred to Social Services on page 9 of the Budget Bill. He said the total of \$55,048,900 had the vacancy and turnover taken out.

Mr. Warwick asked about the Seward Skill Center. Mr. Fink said that the subsistence income of \$400,000 wasn't in the budget. (Page 6 of the Budget Bill and Page 107 of the Budget Supplement). Mr. Fink noted that page 74 of the short form didn't include the \$400,000. Mr. Hohman thought they should increase MDT Voc. Ed. Labor by \$400,000. Mr. Fink said they should show Legislative Intent that it is to go for the Skill Center Subsidy Payments. Mr. Vernon said that would make the total on page 9 of the Budget Bill \$55,448,900. This would increase the General Fund to \$28,773,700.

Mr. Hohman moved and asked unanimous consent that they close Social Services at \$55,448,900.* No objection, so ordered.

HEALTH

Chairman Hohman said they would go on to Health which is located on page 119 of the Budget Supplement. Mr. Vernon said the House figure was \$16,638,700 with the vacancy and turnover factor adjusted. Otherwise, the figure is the same as what they had agreed upon before.

Mr. Hohman moved and asked unanimous consent that they close Health at \$16,638,700.* No objection, so ordered.

GENERAL GOVERNMENT

Chairman Hohman said they would go on to discuss the budget for General Government. Mr. Barker passed out a memorandum regarding the change in the FY 73 operating budget--Transportation and General Government Categories, from Myrt Charney. There was some discussion on this. The committee decided to continue the discussion the following day.

ADJOURN

Meeting adjourned at 6:55 p.m.

*See attached chart for BRU breakdown of this category.

PROGRAM CATEGORY II: SOCIAL SERVICES

BUDGET REQUEST UNIT	COMMITTEE ALLOWANCE	ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT
Office of Aging	217.2	217.6	Health & Soc. Serv.
Pioneers' Homes Adv. Bd.	6.3	6.3	Governor's Office
Pioneer Homes	2,266.5	2,271.5	Administration
Old Age Assist. (APA)	5,688.8	5,689.7	Health & Soc. Serv.
Disabled	8,348.7	8,349.0	Health & Soc. Serv.
Vocational Rehabilit.	2,745.4	2,770.0	Education
Other Emp. Services for Disabled	425.4	425.4	Labor
Family Services	15,510.6	15,566.3	Health & Soc. Serv.
Special Federal Projects	-0-	-0-	Health & Soc. Serv.
General Assistance	1,242.9	1,251.4	Health & Soc. Serv.
Donated Commodities	48.0	48.0	Administration
Vet's Service Council	34.0	34.0	Commerce
Employment Service	1,734.2	1,734.2	Labor
Unemployment Ins. Prog.	1,607.8	1,630.1	Labor
Job Training	2,024.0	2,053.7	Labor
Neighborhood Youth Corps	1,838.9	1,847.0	Governor's Office
WIN (AFDC)	1,033.6	1,033.6	Health & Soc. Serv.
MDTA	246.3	248.4	Labor
Inst. Manpower Training	1,718.3	1,718.5	Education
Manpower Planning	138.9	142.4	Governor's Office
Emergency Employ. Act	3,513.6	3,513.6	Governor's Office
Administ. & Support	1,955.8	2,001.0	Labor
Ad. & Suppt., Div. of Family & Child. Serv.	1,580.0	1,601.5	Health & Social Serv.
Ad. & Suppt., Dept. of Health & Soc. Serv.	1,235.8	<u>1,295.7</u>	Health & Social Serv.
		55,448.9	

PROGRAM CATEGORY III: HEALTH

BUDGET REQUEST UNIT	COMMITTEE ALLOWANCE	ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT
Public Health	6,121.3	6,192.7	Health & Soc. Serv.
Mental Health	7,762.7	7,762.7	Health & Soc. Serv.
Alcoholism	1,915.5	1,915.5	Health & Soc. Serv.
Drug Abuse	424.9	424.9	Health & Soc. Serv.
Comprehensive Health Planning & Facilities Development	342.9	<u>342.9</u>	Health & Soc. Serv.
		<u>33,227.4</u>	

HOUSE FINANCE COMMITTEE
April 30, 1972
2:00 P. M.

Present All members

STATE-OPERATED SCHOOLS Chairman Hohman called the meeting to order and stated the committee would discuss the budget for STATE-OPERATED SCHOOLS. Mr. Wright moved that the following figures be accepted for this agency:

<u>Program Category</u>	<u>Budget Request Unit</u>	<u>Committee Allowance</u>
Educ	Rural Students in State-Operated Schools	19,180.8
Educ	Military Students (On-base Schools)	12,237.0
Educ	Non-resident Tuition Payments	1,600.0
Educ	Administration & Support	<u>2,686.1</u>
Total Committee Allowance for State-Operated Schools (Not adjusted for vacancy and turnover)		35,703.9

The committee discussed the problem of the mechanics of requiring Budget and Audit Committee approval for expenditure of the 692.0 contingency funds contained under Code 800 of the BRU "Administration and Support." It was the consensus of the committee that the language in the Appropriations Act should instruct the agency that expenditure of these funds would require the approval of the Budget and Audit Committee.

Mr. Wright said that a statement of intent should be included under Code 500 of the BRU "Rural Students in SOS" to indicate that 292.0 of this amount is for books, furniture, etc., for the new Bethel High School and 100.0 is for the freight charges on these commodities.

Mr. Wright moved and asked unanimous consent that the budget for State-Operated Schools be closed. Mr. Fink objected, stating he felt that no budgets should be permanently closed until the Capital Projects budget is closed. There being no other objections, the motion carried.

UNIVERSITY OF ALASKA Chairman Hohman stated the committee would take up the budget of the UNIVERSITY OF ALASKA; he moved and asked unanimous consent that the figure of 32,417.5 be accepted for the total budget of the University. Mr. Warwick objected, stating that the category "College - Instruction" (see attached chart) should be raised considerably since these funds had been reallocated to other areas; the university will not be able to continue with the programs they have which will be to the detriment of the main

campus and the entire state. Mr. Fink stated that if the college could prove that, they could get approval from the Budget and Audit Committee for transfer of these funds. Mr. Warwick stated that he would not vote for the House budget bill unless this figure was raised.

The question was called for: all members voted in favor of closing the University of Alaska's budget per the attached chart except Mr. Warwick and Mr. Ditman.

DEPT. OF
EDUCATION

Chairman Hohman stated that the committee would reopen the budget for the Department of Education.

Mr. Wright stated that the BRU "Adult Basic and Continuing Education" from the 1,800.0 previously authorized by the committee to a total for this BRU of 2,334.8. The breakdown of elements within this BRU is as follows:

Adult Basic Continuing Education	433.1
Gen. Educ. Development	10.0
Community College Support	1,800.0
Fire Service Training	91.7
	<u>2,334.8</u>

Mr. Wright stated that the figure for the BRU "Educational Broadcast Commission" should be adjusted to a new total of 403.9 for operating costs.

The new total for the Department of Education budget, incorporating the above changes is 113,672.5 (not adjusted for vacancy and turnover).

Mr. Wright stated he would also like to adjust this agency's budget to include 1% of the total amount appropriated for Foundation Programs to be put into a special fund to be used at the discretion of the Commissioner for innovative programs. Mr. Warwick objected.

Mr. Fink stated he felt that this budget should not be closed until a later time.

BOND
COMMIT-
TEE

Chairman Hohman moved and asked unanimous consent that the committee accept the figure of 25,854.0 for the BOND COMMITTEE budget; there being no objections, the figure was accepted by the committee.

Recess

A recess was called at 4:45.

UNIVERSITY OF ALASKA
COMPARATIVE BUDGETS -- FY 73

	FY 72 Auth.	FY 73 Maint.	FY 73 Request	FY 73 Model	1	2	Subcommittee Allowance	Committee Allowance
Sitka	76,900	92,500	81,200	48,900	57,700		76,900	76,900
Ketchikan	159,500	191,600	168,300	124,400	134,600		159,500	159,500
J-D Community College	177,700	211,200	187,500	158,700	168,800		177,700	177,700
Juneau Sr. College	60,000	65,100	63,200	96,600	96,600		65,100	65,100
SE Regional Center	41,500	77,700	43,600	N/A	42,700	500,400	43,600	43,600
Mat-Su	61,900	100,900	65,300	77,400	81,000		81,000	81,000
Kodiak	82,600	141,900	87,100	99,000	104,800		104,800	104,800
Kenai	73,400	132,300	77,400	124,500	129,200		129,200	129,200
Anch. Community College	2,194,200	2,960,900	2,314,900	2,559,100	2,563,400		2,960,900	2,960,900
Anch. Sr. College	945,600	1,504,700	931,600	2,709,900	2,709,900		2,199,000	2,199,000
Kuskokwim Community Coll.								116,000
Southcentral Reg. Cntr.	129,900	247,200	203,100	N/A	133,800	5,722,100	247,200	247,200
College - Instruct.	11,251,200	13,054,600	12,007,100	10,073,100	11,478,600		11,550,000	11,550,000
College - Ind. Op.	3,281,600	3,479,800	3,479,800	N/A	3,380,000		3,479,000	3,479,000
College - Org. Rsch.	4,672,100	5,438,900	4,929,000	N/A	4,812,300		4,812,300	4,812,300
College - Pub. Svc.	1,651,400	1,919,400	1,738,500	N/A	1,700,900	21,371,800	1,900,900	1,915,300
Central Governance	3,901,000	4,852,200	4,238,400	N/A	4,018,000	4,018,000	4,300,000	4,300,000
T O T A L	28,760,500	34,470,900	30,616,000		31,612,300	31,612,300	32,287,100	32,417,500

1 FY 72 + 3% for non-formula + 80% of FY 72 Unaccounted

2 Column grouped by region

AFTER RECESS
5:00 P. M.

Present All members.

CAPITAL PROJECTS Chairman Hohman called the meeting to order and stated the committee would take up the Capital Projects list for FY 73.

The following capital projects were accepted by the committee in the EDUCATION category:

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Educ	Broadcast Facilities	1,157.5
	The above figure represents 677.3 in projects as recommended by the Governor plus 480.2 for television equipment for Bethel Broadcasting.	
Educ	Library Grants (Governor's recommended)	189.8
Public Works	Fire Detectors - Bethel & Nome Regional Schools (Governor's recommended)	29.4
Governor's Office	Acquisition of Museum Artifacts (Governor's recommended)	25.0
Educ	S.O.S. Bldg. Improvements - Various (Governor's recommended)	330.0
U of A	U of A, Anchorage Community College parking (new project, not recommended by the Governor)	500.0
U of A	U of A, Anchorage Community College auditorium and fine arts complex (new project, not recommended by the Governor)	3,500.0
U of A	U of A planning funds (new project, not recommended by the Governor)	350.0
Governor's Office	Barrow Museum (new project, not recommended by the Governor)	500.0

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Educ	Unalakleet Area High School (new project, not recommended by the Governor)	1,500.0
Educ	Thorne Bay School Gym (new project, not recommended by the Governor)	25.0
U of A	U of A - Building Improvements, Main Campus, to bring buildings up to fire standards (new project, not recommended by the Governor)	1,500.0

Chairman Hohman stated that the total cost of the Barrow Museum would be \$1.5 million (500.0 state and 1,000.0 foundation funds) and would be built to house a collection of artifacts from the University of Pennsylvania. The artifacts will be sent to Alaska for an indefinite loan period if they can be housed in a fireproof and insured building.

Mr. Degnan stated that the area high school at Unalakleet would serve 100 students in Unalakleet and 79 students from the surrounding area.

The following projects were accepted by the committee in the category of SOCIAL SERVICES:

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Admin	Sitka Mausoleum (Governor's recommended) Mr. Fink, Mr. Ditman and Mr. Haugen did not vote for this project.	150.0
Admin	Sitka Pioneers' Home Renovation (Governor's recommended).	750.0

The following projects were accepted by the committee in the category of HEALTH:

<u>Department</u>	<u>Description</u>	<u>Amount</u>
Hlth & SS	Hill-Burton Match (Governor's Recommended)	1,200.0
Hlth & SS	Alaska Crippled Children's Treatment Cntr. (new project, not recommended by the Governor)	32.0

The following projects were accepted by the committee in the
NATURAL RESOURCE MANAGEMENT & ENVIRONMENTAL CONSERVATION category:

<u>Department</u>	<u>Description</u>	<u>Amount</u>
F & G	Stream Rehabilitation (Governor's Recommended)	380.5
F & G	Weirs and Field Stations (Governor's Recommended)	170.0
F & G	Buildings Repair (Governor's Recommended)	55.0
F & G	Fisheries Rehabilitation (Governor's Recommended)	152.0
Env. Conserv.	Kodiak Water Supply (new project, not recommended by the Governor)	600.0
Env. Conserv.	Water & Sewer Grants (new project, not recommended by the Governor)	2,000.0

The meeting adjourned at 7:00 p.m.

AFTER RECESS

8:45 a.m.

PRESENT All members except Mr. Ditman. Commissioner Easley and Mr. MeKeta from the Department of Public Works were also present.

PUBLIC WORKS

Chairman Hohman called the meeting to order and stated that Water and Harbor projects would be under discussion. He commented that they seemed to be running ahead of themselves. For example, the some projects were authorized last year, but not funded. He understood there to be about \$1.6 million worth of projects.

[Mr. Joe LaRocca, A.P., arrived.]

Mr. Fink asked what the income from the Water Craft Fuel Tax was going to be. Mr. Easley said that \$1.5 million was the actual estimate, but the Department of Revenue had ordered that this would drop to \$1.1 million. That is a conservative estimate to insure coverage. By restricting projects to \$1.1 million, it gives a \$400,000 buffer to insure there will be no overrun.

Mr. Warwick asked how much they would bring in this year. Mr. Easley replied they were anticipating \$1.5 million. Mr. Warwick thought there should be \$250,000 carried forward to this fiscal year. Mr. Easley pointed out that the money lapsed.

Mr. Easley stated the appropriation had been for \$2.8 million, but had been tied to fuel tax revenues and the Department of Revenue had decided to hold it to actual anticipated revenues.

[Mr. Ditman arrives.]

Mr. Meketa said that in the event they appropriated \$1.5 million and tied it to fuel tax, he could almost assure them the Department of Administration would cut it back to \$1.1 million. He stated they were running into problems with the Department of Administration because they seemed to define the appropriation bill differently each year. He said it was impossible to tell what type of money they were going to have until they were half way through the construction season.

Mr. Easley said that what they needed to clarify the situation would be a straight appropriation making no reference to fuel tax, but based on an estimate of what the fuel tax would be.

Mr. Hohman asked how many projects on the list that were not accomplished last year were anticipated for this year. Mr. Easley said just the projects which showed up on both of the lists which the members had copies of.

Mr. Hohman asked about the Sitka Breakwater. Mr. Meketa said that was one which wasn't on the list. It came up a couple of weeks ago when they found out they could get rock from the Corp of Engineers. Thus, they could do a million dollars worth of work for \$300,000.

Mr. Hohman asked about Metlakatla, and Mr. Meketa said that had been eliminated completely.

Mr. Hohman noted that the airport facility reconstruction at Cordova was up \$50,000 this year. He asked why. Mr. Meketa said it was probably inflation plus a little bit of extra work.

Mr. Hohman asked about the Kake project. Mr. Meketa said they had spent \$140,000 of the original \$340,000. He said the other \$200,000 was delayed because the Corp of Engineers federal project had been delayed. He stated the \$140,000 was to rehabilitate the old harbor facilities, while the \$200,000 was for putting in new facilities in the new harbor.

Mr. Hohman asked what matching ratio was, and Mr. Meketa said it varied on individual projects. Mr. Easley said that basically the Corp of Engineers did general drafting and breakwaters, while the State was required to do all other work.

Mr. Hohman stated that there was a 25% increase in project cost in Kenai. He wanted to know why. Mr. Meketa said it was probably a little bit of inflation and extra work. He explained they had run into problems with siltation in the river itself once the project started. The biggest problem was probably re-designing of the project which they ran into. This was one of the first river projects they have undertaken.

Mr. Hohman asked what happened in Tenakee. Mr. Meketa said they had reincluded it in the FY 73 budget.

Mr. Hohman asked what happened to Kasaan. Mr. Meketa said it was in.

Mr. Wright asked what percentage of the boats in Southeast were in Juneau and what percent of the expenditure has been in Juneau. Mr. Easley didn't have that information with him, but said he would send the Committee a list of boats by area and a list of facilities and expenditures by area-- both past and proposed.

Mr. Hohman asked the total cost of the Hoonah project. He knew the bond allocated \$850,000. Mr. Meketa said the federal portion was \$2.6 million.

Mr. Hohman noted that ferry service had been discontinued to

Hoonah. He wondered if there were plans to reopen this service. Mr. Easley said that if the supplemental appropriation came through they would plan to start service a week from May 15. Everything was contingent upon the supplemental.

Bill
Assign-
ment
RECESS

Mr. Hohman assigned SENATE CONCURRENT RESOLUTION NO. 36 (Relating to bush airfields) to himself.

Meeting recessed at 10:00 a.m.

AFTER RECESS

3:15 p.m.

Present: All members.

ADMINISTRATION
OF JUSTICE

Chairman Hohman called the meeting to order and the committee considered the Administration of Justice category.

Chairman Hohman moved and asked unanimous consent that the committee adopt each of the BRU's listed on page 407. These figures had been adjusted for vacancy and turnover. Each BRU was accepted unanimously with the following exceptions.

<u>Program</u> <u>Category</u>	<u>Budget Request</u>	<u>Unit</u>	<u>Committee</u> <u>Allowance</u>
Admin. of Justice	Supporting Technical Services		898.6*
	Records & Ident.	65.1	
	Central Comm.	324.5	
	Information Sys.	443.1	
	Laboratory Serv.	65.9	

* adjusted for vacancy and turnover.

Under Supporting Technical Services, the committee decided to change their tentative figure of 506.9 for Information Systems to 443.1. This disallowed the 6 positions requested -- Research Analyst II, Statistical Clerk II, Statistical Clerk III, Clerk Typist II, Photo Copy Machine Operator, and a Clerk II.

Under the BRU Patrol, Detection and Apprehension Mr. Fink moved that they add 63.8 in the Third Judicial District. Mr. Hohman objected and the motion failed 3 to 3.

Mr. Hohman moved and asked unanimous consent that the committee adopt the total of 31,115.9 for the Administration of Justice category. Mr. Fink objected. The motion carried.

Recess: The meeting recessed at 4:35 p.m.

PROGRAM CATEGORY VI. ADMINISTRATION OF JUSTICE

BUDGET REQUEST UNIT	COMMITTEE ALLOWANCE	ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT
Prevention of Crime	35.0	35.0	Public Safety
Patrol, Detection and Apprehension	5,451.7	5,643.6	Public Safety
Prosecution	1,318.0	1,320.1	Law
Public Defender	830.9	833.8	Governor
Alaska Court System	8,176.2	8,176.2	Judicial Br.
Judicial Services	574.4	585.2	Public Safety
Judicial Council	29.0	29.0	Judicial Br.
Reformation of Offenders	8,746.7	9,119.0	Health & Soc. Serv.
Protection of Indv. Rights	148.7	148.7	Governor's Office
Employees' Rights	321.8	321.8	Labor
Criminal Justice Planning Agency	1,905.0	1,905.0	Governor's Office
Supporting Technical Serv.	944.6	898.6	Public Safety
Fish & Game Protection	2,086.5	2,099.9	Public Safety
		31,115.9	

HOUSE FINANCE COMMITTEE

May 4, 1972

8:45 a.m.

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

NATURAL
RESOURCES
MANAGEMENT
& ENVIRON-
MENTAL
CONSERV.

Chairman Hohman called the meeting to order and the committee considered the Natural Resources Management and Environmental Conservation category.

Chairman Hohman moved and asked unanimous consent on the following BRU's which carried with no objections: Commercial Fish; Protection; FRED; Administration & Support; Fisheries Commissions; Land & Water Management; COAST Commission; Mineral Resources; Forest Management; Environmental Conservation; Pipeline Construction Monitoring; Athletic Commission; Natural Resource Planning; and Administration & Support. *

Chairman Hohman moved and asked unanimous consent on the following BRU's which were objected to:

Sport Fish: Mr. Fink objected. Motion carried 4 to 2, with opposing votes by Mr. Fink and Mr. Warwick.

[Representative Wright entered the meeting.]

Fish Hatcheries: Mr. Fink objected. The motion carried 5 to 2. Those opposed were Mr. Fink and Mr. Wright.

Game: Mr. Fink objected. The motion carried 6 to 1.

Habitat: Mr. Fink objected. The motion carried 6 to 1.

Parks and Recreation: Mr. Warwick objected. The motion carried 6 to 1. *

The committee then briefly discussed the Natural Resource Planning budget request unit. Commissioner Charles Herbert, Department of Natural Resources, entered the meeting to explain the Natural Resources Planning budget.

* For Committee Allowance see Page 410 of the minutes.

Commissioner Herbert explained that the budget request was submitted before the Native Land Claims settlement. The Native Land Claims settlement act provided that the federal government would put up \$1.5 million per year for Land Use Planning on a 2 to 1 matching ratio. The state felt this matching ratio was too high, so they decided to keep in effect the Northern Alaskan Planning Study which was on a 2 to 1 matching ratio of state services to federal money. However, the department had just been informed that a 1 to 1 matching ratio is going to be required. The department therefore requests an additional \$100,000 state funds for this year and \$700,000 for FY73.

[Commissioner Herbert then left the meeting.]

Chairman Hohman moved the figure \$775,000 for Natural Resource Planning. No objection, so ordered.

Program Category	Budget Request Unit	Committee Allowance
Natural Resources	Natural Resource Planning	775.0
	Land Use Pl. Unit--500.0	
	Joint State-Fed. --275.0*	
	Nat. Res. and Land Use Pl. Commission	

* \$75,000 is for use in FY72, and the balance is for FY73.

Chairman Hohman then moved for a total figure for the Natural Resources Management and Environmental Conservation category in the amount of \$22,037,600. No objection, so ordered.

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

PROGRAM CATEGORY IV: NATURAL RESOURCES

BUDGET REQUEST UNIT	COMMITTEE ALLOWANCE	ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT	
Sport Fish	1,745.6	1,722.4	1,767.9	Fish & Game
Commercial Fish	3,743.8	3,787.3	3,835.9	Fish & Game
Fish Hatcheries	439.5	425.9	425.9	Fish & Game
Game	2,627	2,350.0	2,370.0	Fish & Game
Protection	2,131.7	45.2	45.2	Fish & Game
FRED	690.8	674.5	674.5	Fish & Game
Admin. & Support	1,998.3	2,040.3	2,086.0	Fish & Game
Fisheries Commissions	81.8	97.8	97.8	Governor's Office
Land & Water Management	1,837.0	1,988.2	2,005.8	Natural Resources
COAST Commission		-0-	-0-	Governor's Office
Mineral Resources	1,553.0	1,711.4	1,717.2	Natural Resources
Forest Management	2,959.0	3,002.8	3,005.0	Natural Resources
Environmental Conserv.	1,241.9	1,787.2	1,851.9	Env. Conserv.
Pipeline Const. Monitor.		-0-	-0-	Nat. Res/Env. Conserv.
Habitat	255.3	-0-	-0-	Fish & Game
Parks & Recreation	819.8	1,049.7	1,052.4	Natural Resources
Athletic Commission	2.0	17.2	17.2	Governor's Office
Nat. Res. Planning	114.0	500.0	775.0	Natural Resources
Adminis. & Support	304.0	309.6	309.9	Natural Resources
	<u>22,629.9</u>		<u>22,037.6</u>	

AFTER RECESS

5:05 p.m.

Present All members

PUBLIC PROTECTION Chairman Hohman stated that the committee would close the PUBLIC PROTECTION budget category.

Mr. Hogan stated that the committee had tentatively adopted the Governor's recommended figures for all elements of Public Protection except three. Changes made by the committee are as follows:

<u>Element</u>	<u>Change from Governor's Recommended</u>
Regulation of Public Service	Added \$15,000 for an additional Field Agent position.
Regulation of Licensing of Professions	Added \$44,600 to fund a Southcentral Licensing Office including two Inspector positions
Disaster Planning and Control	Added \$20,000 for leasing of building space in Anchorage (\$10,000 General Fund; \$10,000 Federal)

Chairman Hohman moved and asked unanimous consent that the figure of \$7,804,900 be accepted for the category PUBLIC PROTECTION.

Mr. Warwick objected; Mr. Warwick removed his objection.
Mr. Fink objected; Mr Fink withdrew his objection.

There being no other objections, the total figure for the category PUBLIC PROTECTION of \$7,804,900 was accepted by the committee.

See the attached chart for a breakdown of this program category.

The committee recessed for five minutes.

PROGRAM CATEGORY V: PUBLIC PROTECTION

BUDGET REQUEST UNIT	<i>Small Allowance</i>	COMMITTEE ALLOWANCE	ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT
Occupational Safety	1,021.3	1,021.3	1,029.3	Labor
Individual Protection	1,023.0	1,023.0	1,038.7	Public Safety
Consumer Protection	35.0	175.0	177.0	Law
Weights & Measures	451.5	467.0	476.1	Commerce
Agricultural Inspection	385.8	421.0	424.3	Natural Resources
Corporate & Financial Reg.	512.4	525.9	537.3	Commerce
Regulation of Public Serv.	1,348.7	1,348.7	1,348.7	Commerce
Alcoholic Bev. Control Bd.	195.1	195.1	197.5	Revenue
Regulation & Licensing of Professions	279.3	323.9	327.9	Commerce
Admininstration & Support	209.4	209.4	215.2	Commerce
Civil Air Patrol	105.0	106.0	106.0	Military Affairs
Disaster Planning & Control	478.9	501.9	501.9	Military Affairs
Emergency Medical Service Planning	45.7	45.7	45.7	Health & Soc. Serv.
Military Preparedness	1,353.6	1,353.6	1,379.3	Military Affairs
Nat. Guard Accident Settlement	-0-	-0-	-0-	Administration
			<hr/>	
			7,804.9	

AFTER RECESS

5:20 p.m.

Present All members

TRANS- Chairman Hohman stated that the committee would close the TRANSPORTATION
PORTATION program category.

Mr. Hogan stated that the committee had tentatively accepted the Governor's recommended figures for all elements of the Transportation category except one:

<u>Element</u>	<u>Change from Governor's Recommended</u>
Air Transportation	Added \$30,000 for a feasibility study for a jet airport in the Lower Kuskokwim area.

Chairman Hohman moved and asked unanimous consent that the figure \$51,461,800 be accepted for the category TRANSPORTATION. There being no objections, it was so ordered.

See the attached chart for a breakdown of this program category.

A recess was called (see Bill Minutes).

PROGRAM CATEGORY VIII: TRANSPORTATION

BUDGET REQUEST UNIT		COMMITTEE ALLOWANCE		ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT
Maintenance	17,068.0	16,802.4	gov's	16,912.6	Highways
Administration & Support	5,278.2	5,278.2	gov's	5,379.1	Highways
Marine Transportation	15,147.1	15,191.0	gov's	15,820.0	Public Works
Air Transportation		12,486.2		12,605.3	Public Works
Administration & Support	739.4	739.4	gov's	744.8	Public Works
				51,461.8	

AFTER RECESS

12:25 p.m.

Present: All members. Mr. Bob Jacobs, Budget and Management, was also present.

GENERAL Chairman Hohman called the meeting to order and GOVERNMENT said the committee would consider the General Government category. He explained that there was a problem in the BRU Buildings and asked Mr. Barker to explain this.

Mr. Barker said that in FY 72 there was a contract with S.O.S. and Buildings for \$1.7 million for maintenance work. All this was to be done by S.O.S. in FY 73 at the time of their budget preparation. However, Buildings only deleted \$1.2 million from their FY 73 budget leaving in \$500,000 for this work in FY 73. This plus the \$1.6 million the Governor put back in for Buildings to do S.O.S. maintenance amounted to \$2.1 million for this work in FY 73. Mr. Barker explained that actual expected costs are only \$1.2 million; therefore \$900,000 is to be deleted from Building's Interagency Receipts for FY 73.

Mr. Jacobs elaborated on Mr. Barker's explanation. He said that there were different items that should have been budgeted in capital improvements rather than in the operating budget.

Mr. Hohman said it was possible they could be shorting this agency unless they have knowledge of how much they were operating on last year. Mr. Hohman pointed out that there are more schools in S.O.S. for this coming year. Mr. Jacobs said the only additional school would be at Bethel. He said that Bethel is somewhat different in that the maintenance would be done primarily by people on the S.O.S. payroll. He said most of the \$1.2 million that had been deleted is for small schools in the outlying areas. He said that S.O.S. has plans to hire their own mechanics for the Bethel school.

Mr. Jacobs explained there has been a problem with Buildings. He said one thing that has not been done very well is the coordination of inter-agency charges and inter-agency receipts.

Mr. Barker explained that if they cut out the \$900,000 from Buildings this will not affect the capital for S.O.S. Mr. Jacobs agreed and said that S.O.S. needs about \$1.2 million or less to pay Buildings for maintenance for schools for FY 73. After a brief discussion, the committee agreed to delete the \$900,000 from Buildings.

Mr. Hohman then moved and asked unanimous consent that each of the following BRU's be adopted. These figures had been adjusted for vacancy and turnover and are shown on page 418. The Executive Direction, Executive Administration, Fiscal Services, Legal Service, Communications, Vital Statistics, Highways Working Capital Fund, and Debt Service BRU's were adopted with no objection.

Mr. Hohman moved and asked unanimous consent that the committee adopt 622.1 for Planning and Research. It was noted there was no vacancy and turnover in this budget. Mr. Wright objected then withdrew his objection. Mr. Fink objected but the motion carried and the committee adopted 622.1.

Mr. Hohman moved and asked unanimous consent that the committee adopt 2,972.5 for the Legislature. Mr. Fink objected. He was opposed to the committee allowance of a 120 day session as opposed to a 90 day session. However, the motion carried 5 to 2.

Program Category	BRU	Committee Allowance
GG	Services to State Agencies	4,920.0

The committee had tentatively adopted the figure of 4,812.4 which had deleted positions for the Archives and Records operations. Mr. Hohman referred to testimony that had been presented by Representative Barber which requested that this be included.

Mr. Hohman moved and asked unanimous consent that the committee adopt the total of 4,920.0 to include this request. This would be the same as the Governor's recommendation with an adjustment for vacancy and turnover. No objection, so ordered.

Program Category	BRU	Committee Allowance
GG	Buildings	5,195.6

Mr. Hohman moved and asked unanimous consent that the committee adopt the amount of 5,195.6 for Buildings. No objection, so ordered. This included the deletion of 900.0 for the S.O.S. contract and an adjustment for vacancy and turnover.

Mr. Hohman moved and asked unanimous consent that the committee adopt the amount of 175.0 for Youth in Government. Mr. Fink objected. Discussion followed. Mr. Ditman moved that the committee adopt the amount of -0- for this BRU. After more discussion, this motion failed. Mr. Hohman moved that the committee adopt the amount of 175.0 for this BRU. Motion carried.

Mr. Hohman moved and asked unanimous consent that the committee adopt the amount of 644.1 for Elections. Mr. Warwick objected; however, the motion carried and the amount of 644.1 was adopted. This included a vacancy and turnover adjustment.

Mr. Hohman moved and asked unanimous consent that 55,828.9 be adopted as the total for General Government. Mr. Fink objected. Motion carried.

Recess: The committee recessed at 1:45 p.m.

PROGRAM CATEGORY IX: GENERAL GOVERNMENT

BUDGET REQUEST UNIT	COMMITTEE ALLOWANCE	ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT	
Executive Direction	1,376.3	1,442.8	1,449.2	Governor's Office
Planning & Research	426.1	622.1	622.1	Governor's Office
Executive Administration	828.9	845.1	860.1	Administration
Legislature	2,971.7	2,972.5	2,972.5	Leg. Branch
Fiscal Services	3,396.8	3,223.1	3,263.1	Revenue
Legal Services	1,627.4	1,899.5	1,912.5	Law
Services to State Agencies	4,812.4	4,812.4	4,920.0	Administration
Buildings	5,497.7	6,077.2	5,195.6	Public Works
Communications	837.4	848.1	863.3	Public Works
Vital Statistics	142.9	132.6	137.6	Health & SS
Highways Working Capital Fund	6,874.6	6,874.6	6,959.8	Highways
Youth in Government	175.0	175.0	175.0	Governor's Office
Elections	644.1	644.1	644.1	Governor's Office
Debt Service	25,854.0	25,854.0	25,854.0	Bond Committee
			55,828.9	

HOUSE FINANCE COMMITTEE

May 6, 1972

9:45 a.m.

Present: All members.

DEVELOPMENT

Chairman Hohman called the meeting to order and said the committee would discuss the Development category.

Chairman Hohman moved and asked unanimous consent that the BRU's shown on page 421 be adopted. These amounts had been adjusted for vacancy and turnover. The following BRU's were adopted without objection: Office of Tourism, International Development, King Crab Quality Control Board, Small Business Loans, Veterans' Loan Fund, Shared Taxes, Shared National Forest Receipts, Local Assistance Division, Surplus Property, Economic Research and Analysis Division, Promotion of Tourism, and Rural Affairs Commission.

Program Category	BRU	Committee Allowance
Dev. Agricultural Development		297.7
Small Grain Inc.	80.0	
Agric. Loan Fund	81.4	
State Fairs	55.0	
Admin. & Support	81.3	

Under State Fairs, the committee added 10.0 for the Anchorage Fur Rendezvous, and 12.0 for 4 small fairs (with no fair to receive more than 3.0).

Under Administration and Support the committee added 1.3 for vacancy and turnover.

Mr. Hohman moved and asked unanimous consent that the committee adopt 297.7 for Agricultural Development. No objection, so ordered.

Program Category	BRU	Committee Allowance
Dev. Financial Assistance to Comm.		8,965.0
Revenue Sharing	8,215.0	
Rural Dev. Grants	750.0	

Mr. Hohman moved and asked unanimous consent that the committee adopt 7,800.0 for Revenue Sharing. Mr. Warwick objected. The committee discussed the shortfall in this program. Mr. Hohman referred to a letter from Byron Mallott stating this had been 415.936 short for this current fiscal year. The motion failed 3 to 4. After more discussion, the committee returned to this program. Mr. Hohman moved and asked unanimous consent that the committee adopt 8,215.0 for Revenue Sharing and indicate an immediate effective date on the 415.0 shortfall. Mr. Fink objected; however, the motion carried and 8,215.0 was adopted.

Mr. Hohman moved and asked unanimous consent that the committee adopt 750.0 for Rural Development Grants. Mr. Fink objected. The motion carried. Mr. Fink asked for the rationale of this increase. Mr. Hohman said that this program has been funded at a 50% level. He said the agency has additional applications that they have not been able to fund. Mr. Fink said this program is not based on a formula and the 50% is just an arbitrary figure. Discussion then followed on Title IV funds.

Program Category	BRU	Committee Allowance
Dev. Community Development		409.1
Planning & Research	409.1	
New Programs	-0-	

Mr. Hohman moved and asked unanimous consent that the committee adopt 409.1 for Community Development. No objection, so ordered.

Mr. Hohman moved and asked unanimous consent that the committee adopt the total of 19,948.7 for Development. No objection, so ordered.

Recess: The committee recessed at 11:20 a.m.

PROGRAM CATEGORY VII: DEVELOPMENT

BUDGET REQUEST UNIT	COMMITTEE ALLOWANCE	ADJUSTED FOR VACANCY & TURNOVER	DEPARTMENT
International Development	77.5	77.5	Governor's Office
Agricultural Development	296.4	297.7	Natural Resources
King Crab Quality Control Bd.	100.0	100.0	Fish & Game
Small Business Loans	48.9	51.2	Commerce
Veterans' Loan Fund	348.6	359.1	Commerce
Financial Assistance to Communities		8,965.0	Governor's Office
Shared Taxes	4,458.6	4,458.6	Revenue
Shared Nat. Forest Rects.	364.3	364.3	Administration
Local Assistance Div.		1,432.4	Governor's Office
Native Land Claims Settle.		1,174.0	Administration
Surplus Property	150.7	150.7	Administration
Economic Research and Analysis Division		553.2	Economic Development
Office of the Commissioner	376.0	376.0	Economic Development
Administrative Services		-0-	
Promotion of Tourism	1,150.0	1,150.0	Economic Development
Community Development Planning & Research		409.1	Governor's Office
Rural Affairs Comm.		29.9	Governor's Office
		<hr/> 19,948.7	

AFTER RECESS

4:45 p.m.

Present: All members.

Chairman Hohman called the meeting to order and said the committee would consider the capital improvement budget.

Mr. Hogan had correspondence relating to various areas and the committee briefly reviewed this.

The committee decided on the amounts listed on pages 423-426.

Adjournment: The meeting adjourned at 7:15 p.m.

EDUCATION

Department of Education

Broadcast Facilities

ETV Station, Anchorage, Kenai and Mat-Su	556,000	} →
Dillingham Radio Station	50,000	
Kodiak Radio Station	50,000	
Bethel Broadcasting ETV equipment	493,000	
Fairbanks Translators	8,500	

1,157,500

.Library Grants, Facilities Construction	189,800
Library Grant, Imuruk Basin Study	45,000
Craig Elementary School Addition	20,000
Unalakleet Area High School	1,500,000

Department of Public Works

Fire Detectors, Bethel and Nome Regional Schools	29,400
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Governor's Office

Museum, Artifacts Acquisition	25,000
Barrow Museum	500,000

State Operated Schools

Building Improvements	330,000
Thorne Bay Elementary School Gymnasium	25,000

University of Alaska

Anchorage Community College Parking	500,000
Anchorage Community College Auditorium/Fine Arts Bldg. completion	3,500,000
Planning Revolving Fund	350,000
Central Campus Renovation Projects	1,500,000

Department of Administration

Shake's Island Totem Restoration	25,000
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SOCIAL SERVICES

Department of Administration

Sitka Mauseoleum	150,000
Sitka Pioneers' Home Renovation	750,000
Urban Renewal Project - North Star Borough	333,000

HEALTH

Department of Health and Social Services

Hill-Burton Funds	1,200,000
Alaska Treatment Center for Crippled Children and Adults, Hospital Facility	32,000

NATURAL RESOURCES MANAGEMENT & ENVIRONMENTAL CONSERVATION

Department of Environmental Conservation

Water and Sewer Project Loans and Grants	2,600,000
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Department of Fish and Game

Stream Rehabilitation	380,500
Weirs and Field Stations	170,000
Buildings Repair	55,000
Fisheries Rehabilitation	152,000
<i>Access Acquisition</i>	<i>50,000</i>

PUBLIC PROTECTION

Department of Commerce

Scale House - Fairbanks/Anchorage Highway	29,000
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DEVELOPMENT

Department of Public Works

Water and Harbor Projects	
Sitka, Thompson Harbor Breakwater	300,000
Fairbanks Area Launching Ramps	50,000
Metlakatla, Harbor Facility Reconstruction	140,000

Cordova, harbor facility reconstruction	130,000
Kenai, harbor facility slope protection	50,000
Ketchikan, additional berthing facilities	100,000
Wrangell, inner harbor access realignment and parking area	100,000
Knudson Cove, floating breakwater	140,000
Kodiak, additional staging area and dock expansion	100,000
Whittier, additional harbor improvements and operating equipment	250,000
Nenana, launching ramp	25,000
Old Harbor, additional mooring facilities	45,000
Haines, additional maintenance dredging	25,000
Chena River, small boat harbor engineering and design	50,000
Petersburg, seaplane base reconstruction	200,000
Bethel seaplane float, float field and related construction	255,000
Brown Slough dredging, City/Corps of Engineers project	150,000
Kuskokwim Area Harbors	50,000
Kake portage float	100,000

Department of Natural Resources

State Fairs

Alaska State Fair, Inc., Palmer	50,000
Tanana Valley Fair Assoc., Fairbanks	50,000
Ninilchik Fair Assoc., Ninilchik	50,000
Jaycee Rodeo & State Fair, Bells Flat, Kodiak	50,000
Southeast Alaska State Fair, Haines	50,000
Anchorage Fur Rendezvous Fair, Anchorage	50,000

TRANSPORTATION

Department of Highways

Klatt Road	400,000
Keystone Tunnel Repairs	100,000
Federal Aid Highways Construction	52,000,000
Knik River Bridge Repair	664,500

Department of Public Works

Aviation Equipment at Kodiak	83,000
Construction ^{Service} Unit Package	680,000
Crash/Rescue Truck at Fairbanks	160,000
Passenger Facilities at Haines	75,000
Dolphins	100,000
Federal Aid Airport Construction	25,380,000

GENERAL GOVERNMENT

Department of Administration

Chefornak Community Hall	20,000
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Department of Law

Capitol Fourth Floor Remodeling	63,400
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Department of Public Works

Capitol Site	276,000
Legislative Office Space	300,000

Department of Highways

Equipment Replacement	3,297,600
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Total Capital Budget Fund Source

~~101,957,700~~ 102,007,700

General Fund	18,561,900
Watercraft Fuel Tax	1,100,000
Federal Program Receipts	78,822,200 78,857,700
Int. Airport Revenue Fund	80,000
Highways Working Capital Fund	3,297,600
Fish and Game Fund	96,000 100,500

*Airport Construction
Crooked Creek
Russian Mission
Nulu Cruise*

100,000
100,000
50,000

HOUSE FINANCE COMMITTEE

May 10, 1972

9:45 a.m.

Present: All members except Mr. Degnan.

HB 518 Chairman Hohman called the meeting to order and said the committee would consider HOUSE BILL NO. 518 (an Act appropriating for the operating and capital expenses of state government). Mr. Hohman moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 518 pass from committee with a "do pass" recommendation. The motion failed and the bill was returned to file.

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

AFTER RECESS

10:07 a.m.

Present: All members.

The committee continued their discussion of HB 518. Mr. Hohman noted that last year the committee did not adjust the Office of the Governor or the Court System budgets for vacancy and turnover. He said this year they do have records on this and they will pick up the vacancy and turnover adjustment for these two agencies.

Mr. Hohman moved and asked unanimous consent that Committee Substitute for House Bill No. 518 pass from committee with a do pass recommendation.

Discussion followed on the University of Alaska budget.

The bill passed from committee with 5 "do pass" recommendations and one "no recommendation" vote. (Mr. Fink signing "no recommendation".) Mr. Warwick signed the bill at a later time.

Recess: The committee recessed at 10:20 a.m.

HOUSE FINANCE COMMITTEE

May 18, 1972

8:30 a.m.

PRESENT All members with the exception of Representative Haugen. Representative Warwick entered the meeting at 9:20 a.m. Senator Merdes and Representative Barber were also present. Commissioner Charles Herbert from the Department of Natural Resources, Commissioner Irene Ryan of the Department of Economic Development, Commissioner Bruce Campbell of the Department of Highways, Mr. Will Condon of the Attorney General's office and Mr. Joe LaRocca of the press were present. Mr. Robert DuPere, Mr. Walsh and Mr. Ron Sheardown, President of Lost River Mining Company, were also present.

Chairman Hohman called the meeting to order.

The purposes of the meeting was to listen to the Lost River Mining presentation concerning the development city program. Typed copies of the development city program report were distributed to all committee members.

Mr. Walsh stated that the capital investment being made in Northwest Alaska to extract ore at Lost River will provide employment in a depressed area of the state and will lower shipping costs to and from Northern and Western Alaska. Mr. Walsh then read a portion of the report "Harbor Facilities for Lost River" (see page 432 of the minutes).

[Representative Fink and Mr. LaRocca left the meeting.]

Mr. Sheardown referred to a map showing distance differences between Lost River and certain global points: Lost River/Tokyo - 2,400 miles; Lost River/Vancouver - 2,475 miles; Lost River/San Francisco - 2,700 miles.

Mr. Sheardown pointed out that 95 per cent of the tin sold in the United States is imported.

He then referred to the summary of benefits to the state (see page 441 of the minutes). He stated that there were many other areas of the state which would benefit from mineral industry as well as the Seward Peninsula.

Mr. Sheardown stated that they will be drilling a full-drill program this summer which will increase ore reserves, but a return on the project will be seen before any risk is taken by the State's treasury. He said they will stop drilling in 20 years until they get their dollars back. He added that the harbor situation is not new; Northwest Alaska needs a ferry system.

Mr. Sheardown said that Lost River has \$15 million to \$20 million of their own money put into shipping. Company funds run \$65 million to \$70 million. He added that the federal system and program will do their part.

Mr. Sheardown pointed out that their consultants are also consultants to nine national governments.

Mr. DuPere said the first step in organization of the development city is the Governor's appointment of a city council; in reality it is a broad-base authority with broad powers to build a community where none exists. Once organized, it will have a money problem. \$2.1 million has already been put in by the developer, but \$250,000 is needed for the balance of studies necessary for regional communities.

Mr. DuPere said the basic preliminary engineering work will be done by December, 1972. The community planners will work out the highest and best use of the area at Lost River. The New Communities Development Act must be prepared. The risk capital from June to December is the company's alone. In November it is hoped that any state participation would be known from election results, and the people doing the feasibility study on the mine must have a tentative commitment from HUD by December.

Mr. DuPere referred to the report and said that there are several alternates a community can take (see page 442 of the minutes) for total capital programming. Mr. DuPere also referred to SENATE BILL NO. 405 (An Act relating to development cities).

SB 405

Mr. DuPere stated that the United States Economic Development Administration matches nearly every public works program possible, but once funds for the dock are matched, there will be no more money coming from them.

Discussion followed on hospital construction. Mr. DuPere said they would go through HUD, and in response to Mr. Wright, stated that they are using state standards for state population, and the average rate of beds is 28, but they have reduced that figure to 25. On a basic preliminary study, they used \$80,000 per bed. Mr. Wright stated that Mr. DuPere's figures were wrong. He said that \$80,000 would be the cost for Fairbanks, but Lost River would need an even greater amount. Mr. DuPere said these were gross estimates and added that sewer and water were based on preliminary studies too.

Mr. DuPere stated that the marine transportation volume rate is \$4 per ton. They have data based on \$2.1 million worth of

engineering work by the company but \$250,000 is necessary in order to find out which direction they will take. If the State participates, the extent of their participation will not be known until December of 1972. Mr. DuPere said it would cost \$126.2 million to build a community from scratch.

Chairman Hohman asked Mr. DuPere to explain the alternates. Mr. DuPere stated that "B" is not a regional concept; it won't be until later that a hospital and school will be considered. He said that alternate "C" is used in mining today. Raw material is taken out and is sent to Japan because labor is cheaper there. This concept is not a full-year operation. The development city approach is a vehicle for a state type of authority to participate in development and planning.

Mr. DuPere then referred to the method of arriving at cost reduction of freight to the North. Mr. Hohman asked if there were any projected rates for what the State might expect in cost. Mr. DuPere said the following is the estimated future ocean freight and stevedoring cost, but it may be further reduced if the recommended financing program is carried out:

Ocean Freight: \$24 per ton allowing for moderate to poor stowage factors in the ship.

Stevedoring: \$8 per ton at Seattle
\$22 per ton at Lost River

TOTAL: \$54 per short ton

Mr. Ditman then asked how far it was from the dock to Nome, Alaska. Mr. Sheardown stated that it would be 85 air miles, therefore about 100 road miles. Commissioner Campbell stated that it was 74 miles to Teller; Chairman Hohman said that 30 new miles of construction would then be needed.

It was anticipated by Lost River Mining that they will have to put money in to get the city "off the ground". No money will be spent until everything is ready. They will put up their share, until approval is received in December. He stated that they have letters of intent on sale in the project now. He stated that they have discussed the program with the Corps of Engineers for the last three years; he said no dredging was involved but break-walls may be.

[Representative Barber left the meeting.]

Chairman Hohman asked if road construction was necessary in

order to maximize benefits under alternate "A". Mr. DuPere said yes. Mr. Sheardown stated that that was true at least for the service of Nome; the old Teller Road is already constructed.

[Representative Fink entered the meeting.]

Commissioner Campbell said the construction from Lost River to Teller is not difficult because it is along the coastal area. Although the road is destroyed, the bridge still exists. Mr. Campbell said the only conflict would be with winter maintenance of a road in the area. Mr. Degnan asked what priority the road would receive. Mr. Campbell stated that if the plan goes ahead, the Department of Highways will schedule it in their next five-years highway program. The Commissioner said he could not specify where the road would stand on their list of priorities; he felt that the road could follow within a year or two after mining which meant three to six years from now. Mr. Sheardown stated that they are looking at an operation date of 1975 or 1976.

Mr. Degnan asked which operation would be the best. Mr. Sheardown stated that either alternate "B" or "C", while the latter is the least expensive.

Mr. Sheardown said the long-term benefit to the company is that once a harbor is built, other people using it will pay for wharfage. The long-term regional concept provides a definite savings for the Lost River Mining Company.

Mr. Sheardown stated that the mineral potential of Seward Peninsula is one of the highest base-metal areas of Alaska.

RECESS: The meeting recessed at 9:45 a.m.

Lost River Mining Corp. Ltd.

SUITE 420 - 159 BAY STREET

TORONTO 1, ONTARIO

P.O. BOX 503 - NOME, ALASKA 99762

362-2493

May 15, 1972

PRESENTATION TO HOUSE FINANCE COMMITTEE HARBOR FACILITIES FOR LOST RIVER

Of all the regions of Alaska, the Northern and Western regions are the most heavily dependent on shipping as a means of freight transportation. There are no State ferries serving these regions, no road connections to the major cities of the State, nor any rail connection. The only alternative to water transportation is air and, in view of the relatively small population of these regions, that mode of transportation is obviously uneconomic as a means of general freight transport.

Yet, despite their almost total dependence on water transportation, Northern and Western Alaska presently have no harbor facilities capable of accommodating self-propelled ocean-going vessels at dockside, except for limited facilities at Bethel. Such vessels or barges discharging cargo at Nome, Kotzebue or Barrow must make connections with shallow draft lighterage vessels which, in turn, deliver the cargo to shore. This system is both inefficient and costly */ and there is little doubt that its resulting impact on the cost of living has severely retarded the economic growth of these regions. (See Exhibit 1 for shipping rates

*/ According to the Corps of Engineers, the cost of moving cargo the 2,475 miles from Seattle to Nome was increased 25% by the necessity to lighter it over the final mile.

from Seattle to Bethel, Nome and Kotzebue for selected items.)

Equally as important as inefficient port facilities in contributing to the high cost of living in Northern and Western Alaska is the lack of a backhaul from these areas. Regardless of the mode of water transportation -- be it self-propelled vessel or barge -- vessels serving these regions now return to their point of origin virtually empty. Thus, high northbound rates can to a large extent be justified because the southbound leg constitutes an operating loss. This situation is unlikely to improve significantly unless both the port facilities and backhaul problems are tackled together.

Infrequency of service further contributes to the high cost of living in Northern and Western Alaska. Although ice conditions in the Bering Sea prevent year-round service by conventional vessels, the lack of a backhaul combined with relatively low total freight requirements has resulted in only minimal service to these areas. Thus, supplies have to be ordered more or less on an annual basis and merchants have to maintain large inventories of stock in storage with less bulky goods often being shipped in by air. The cost of maintaining and insuring a large amount of storage space (much of which must be heated), added to the already inflated transportation costs, is reflected in exceptionally high prices for some retail items. In turn, the locally high prices encourage a huge volume of mail order purchases,^{*/} thus lowering the volume of trade a merchant

^{*/} Mail order purchases in these regions probably account for more than 60% of total retail purchases. A detailed survey of shopper habits in Wrangell conducted by ASHA in 1967 found that between 40% and 50% of the most recent purchases in nine retail categories were by mail order. Although the situation in Wrangell is believed to have improved since 1967, there is no reason to infer that such improvements have occurred in Northern and Western Alaska and, taking the high transportation costs into account, a mail order rate of at least 60% for retail items is assumed for these regions.

would normally expect in communities of comparable size and serving to further inflate the prices he charges.

In Northwest Alaska, none of the existing major communities -- Nome, Kotzebue or Barrow -- is located near a natural harbor. As a result, developing a major deep water port facility at any of these locations would probably be prohibitively expensive and any participation by the Corps of Engineers would be very unlikely as, except for Los Angeles, that agency's harbor construction activities have been concentrated on natural port facilities.

It has long been recognized that sites in the Port Clarence area of the Seward Peninsula afford the best natural harbors north of Unalaska. During the Nome gold rush era at the turn of this century, a rail route between Nome and Port Clarence was surveyed as, even then, it was widely believed that significant economies would accrue to the gold producing regions of the Seward Peninsula by having vessels off-load directly at a port on Port Clarence and then transporting the freight by rail to Nome. During World War II, a huge port facility capable of accommodating eight ships at a time was planned for construction at Cape Riley on Port Clarence by the Corps of Engineers and a rail connection leading to it from the Fairbanks area was actually surveyed.*/ Had the Aleutians campaign lasted much longer, this port facility and rail link would unquestionably have been built as Port Clarence was deemed to be the best location for a port on the West coast of Alaska from which U. S. forces could have directed an attack from the north on Japanese invasion forces.

*/ U. S. Department of the Army, Corps of Engineers, Seattle Office, Rail and Port Surveys of Alaska, April 24, 1943.

More recently, in a review of Alaska's maritime trade, the Federal Maritime Commission concluded that the fundamental problem of Alaska was unduly high prices and that outside of the Railbelt area those high prices were, in large measure, due to ocean transportation charges combined with local marketing practices. To assist in overcoming this barrier to fuller economic development, the Federal Maritime Commission recommended that:

"The State of Alaska, shippers, carriers and the Federal Maritime Commission should consider the feasibility of establishing new distribution systems in the southeast, southwest and northwest from redistribution trade centers. An integrated system is needed for channeling the flow of traffic by fast carrier between Seattle and a distribution center. At such depots cargo would be subsequently delivered by smaller carriers to and from communities in the region that cannot or should not support the burden of larger self-propelled vessel operations. Such a system of distribution, including faster ships, should facilitate better vessel utilization as well as greater efficiencies and savings." *

The Federal Maritime Commission further recommended that a deep water port facility be constructed in the Teller area.

Comprehensive community development plans prepared for the communities of Teller and Nome in 1967 and 1968 respectively under contract to the Alaska State Housing Authority concluded that a deep water port facility in Northwest Alaska was essential both to lower the inflated cost of living of the region and to serve as a catalyst to the development of the region's known mineral potential. On the basis of the Corps' World War II studies, Cape Riley near Teller was recommended as the

*/ U. S. Federal Maritime Commission, Bureau of Domestic Regulation, Alaska Trade Study: a Regulatory Staff Analysis, Washington, D. C., U. S. Government Printing Office, July 1967.

specific site for a deep water port facility. While a port at Cape Riley could have accommodated the liberty-type ships in use during World War II, it could not handle the larger vessels in the 35,000-ton class being used today to transport ore. A detailed study of various alternate port sites in the Port Clarence area conducted recently by the Lost River Mining Corporation has concluded that a site a short distance west of the mouth of Lost River is the most suitable for a modern port to serve regional needs as well as the immediate mine operation.

With the development of the Lost River mineral properties and the need to construct a port facility capable of handling ocean-going ore vessels, the State has a unique opportunity to ensure that such a facility also serves the total need of Northern and Western Alaska. That is, by its existence it should also be contributing to lower freight rates and thus lowering the cost of living in these areas and, in addition, it should be serving as a catalyst to stimulate further mineral exploration and development. In order for a port to adequately fulfill these additional functions, public ownership is essential. As numerous examples around Alaska attest, privately owned dock facilities are seldom designed or operated for more than immediate corporate needs.

By itself, a publicly-owned deep water port facility in Northwest Alaska would be a welcome improvement. However, the particular Lost River situation offers much more in that it also affords the possibility for a breakthrough in the chronic backhaul problem which has plagued service to these regions over the years. In addition, it offers the potential for a greatly increased frequency of service. Tentative company plans call

for ten ore shipments per year over a ten-month period between Lost River and its ore receiving ports -- Seattle/Tacoma and Yokohama, Japan -- in a company-owned vessel designed specifically for Bering Sea service. However, on the northbound leg back to Lost River, this vessel would be carrying mainly ballast, creating a reverse backhaul situation. Thus, there is a possibility that the company vessel could transport freight bound for Northern and Western Alaska to Lost River on its northbound leg. From Lost River, the freight could then be distributed by barge to the various communities of Northern and Western Alaska. If such a system proves feasible, the three chronic problems of water transportation to Northern and Western Alaska -- inefficient port facilities, lack of a backhaul and infrequent service -- could be attacked together and the savings to these regions would be enormous. Furthermore, such a system is consistent with the Federal Maritime Commission's recommendations for improved service to these areas. That is, service would be via fast carrier between Seattle and a regional distribution center and, from there, redistributed to the other communities of Northern and Western Alaska.

With a resulting reduction in freight rates of up to 55% (computed on the basis of the State's contributing \$10 million which would be matched by EDA) possible to Northern and Western Alaska, all communities in these areas should directly benefit. A decreased cost of living would, in effect, put more money in everyone's pocket and increase individual buying power. Merchants of the areas would also realize lower operating costs as, with cheaper and more frequent service, they

would not have to commit such large amounts of capital in inventories, nor would they have to maintain such large amounts of storage space. These savings, coupled with increased buying power of their customers, should encourage a wider variety of merchandise which should, in turn, serve to decrease the amount of mail order purchasing. The circulation of larger amounts of money within communities of these regions (as opposed to the present high cash outflow to mail order houses) should stimulate employment in the trade sector throughout Northern and Western Alaska. Excluding Lost River, it is conservatively estimated that 85 jobs in trade will be added in these regions within the first five years of the institution of improved shipping services.* Again excluding Lost River, it is expected that more frequent shipping service to Northern and Western Alaska will result in the addition of at least 50 more jobs in transportation services within the first five years following such major transportation improvements. Furthermore, increases in trade and transportation will tend to stimulate employment in other sectors of these regions' economies, particularly in services.

In Lost River itself, as many as 800 jobs are expected to be created within the first five years of the community's existence, if it is developed as an independent new community, as opposed to a company town.

* Some idea of the impact of local money circulation in the trade sector can be seen in the case of Nome where mining employment was replaced by government employment. In 1961, the last full year of gold dredging operations there, 167 persons were employed in trade. In 1963, the first year following the closure of dredging operations, that figure had dropped to 139 persons for a loss of 28 jobs, although total non-agricultural wage and salary employment remained static. What happened was that a group which purchased most of its goods locally was replaced by one which purchases substantial quantities outside the region, causing a decline in the amount of money circulating in Nome.

These jobs can also be considered regional jobs as they will, for the most part accrue to persons from the region. The Lost River Mining Corporation is committed to a goal of at least 70% local hire by the third year of the mine's operation and the non-company jobs should also be filled mainly by persons from the area. However, a large proportion of the jobs at Lost River and all of those estimated for the region will not eventuate unless State investment in harbor facilities at Lost River, coupled with subsequent public ownership of those facilities, takes place.

In the short run, the State's investment in harbor facilities at Lost River will be returned mainly in increased income tax receipts from Northern and Western Alaska, in increased gross receipts from businesses of these areas and decreases in welfare payments. However, in the longer run, this investment should be repaid many times over. The existence of versatile, publicly owned harbor facilities in this area of the State greatly enhances the likelihood of additional mineral development in Northern and Western Alaska. The lack of adequate transportation facilities in this region has severely hampered development to date. The Kobuk copper deposits are a well-known example, but there are also significant deposits of other minerals, coal and oil in these regions whose attractiveness for development should increase with the provision of good regional transshipment facilities at Lost River or, in the case of the Bethel area, with the possibility of direct pick-up of ore by oceangoing vessels. Economic development in these regions means jobs and greatly increased State revenues, as well as decreases in welfare and unemployment payments.

In summary, the Lost River harbor facilities project is one with sound economic and social justification for State participation. The State has not in the past made any major investment in transportation services in Northwest Alaska. The Lost River harbor project is a viable one which, if owned and developed as a public facility, offers the potential for greatly lowering the cost of living in Northern and Western Alaska and for stimulating the presently depressed economic condition of those regions. If, on the other hand, the port for Lost River is developed as a private facility its design and operation will be tailored to meet the specific demands of a single user and its impact on the region would be much reduced. Although other vessels or barges could undoubtedly obtain permission to utilize a privately owned dock at Lost River, this would be only at the company's convenience and high usage charges for non-company traffic could possibly be levied. More important, the possibility of eliminating the chronic backhaul problem would be lost.

Opportunities for integrated regional development in Northern and Western Alaska come seldom. The difficulties facing an extractive industry such as the minerals industry in such an underdeveloped area are such that normally only very rich or very large deposits are worked and, even then, extraction tends to take place as fast as possible to lower costs. In the immediate Seward Peninsula area, the Lost River operation offers the first opportunity for integrated regional development since the gold rushes here at the turn of the century. To maximize the extent of that regional development, public investment -- particularly in transportation facilities -- is both necessary and desirable. With the economic and social stakes so high, the State cannot afford to wait another 70 years.

SUMMARY OF BENEFITS TO STATE

State Income - Direct

Average Taxes Lost River per Year	\$1,473,000
Average Taxes - City People 500 (\$15,000 average) x \$386 per job	<u>191,000</u>
PER YEAR DIRECT	<u>\$1,664,000</u>

Disposable Income to Region

Savings on 70,000 tons of freight	<u>\$4,235,000</u>
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Other Non-Computed Benefits

Encouragement for development of other mineral deposits.

Multiple effect on jobs and income created from basic flow of dollars and additional disposable income due to freight savings.

Savings in welfare and unemployment payments.

RECOMMENDED SPECIFIC ACTIONS

1. That the State contribute \$10,000,000 toward construction of the Lost River marine facility and that this amount be included in Senate Bill 278.

2. That the City of Lost River apply to the U. S. Economic Development Administration for a grant to cover the balance of the estimated cost of the marine facility. Note: Full EDA participation in this project would preclude any other assistance to Lost River by that agency.

3. That the State also include the following in its 1972 General Obligation Bond issues:

	<u>Bill No.</u>	<u>State</u>	<u>Balance Federal Grants/Loans</u>
Hospital	SB 279	\$1,000,000	\$1,000,000
Schools	HB 640	3,200,000	--
Waters and Sewers	SB 277	2,000,000	6,000,000

4. That the City of Lost River apply to the U. S. Department of Housing and Urban Development for benefits available under the New Communities Development Act of 1970 -- plus a maximum of other applicable Federal programs -- estimated to total approximately \$126,200 in grants and loans.

SUMMARY OF PLANNING RECOMMENDATIONS

1. That the City of Lost River itself be the applicant for Federal grants and loans available under the New Communities Development Act of 1970 rather than the mining company.

2. That the City of Lost River's public facilities be planned and developed on a regional basis rather than to merely serve immediate company needs.

3. That the marine terminal and associated facilities be owned by the City or in other public ownership in order to lower the presently unacceptably high cost of transportation to this region and to stimulate the region's economy.

4. That in return for public investment in transportation systems and other community facilities, the company make concessions toward assisting in reducing regional transportation costs.