

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2615

attending the university and the cost to the state to fund the school. Mr. Fink said he is not interested in a lot of concrete buildings or in the prestige involved in having a great university, but is more interested in providing a good, solid education. Also, there is always the possibility that a student would receive a broader, well-rounded education in schools outside the state, and this possibility should be considered. Mr. Davies agreed and said you can't be all things to all men. Discussion continued on the pros and cons of staying in Alaska for a college education.

Senator Hensley said the university should be for the students, and the legislature trusts the Board of Regents will give the students' views. Chip Wagoner added it would be helpful if a student were a member of the Board of Regents.

Adjourned: The meeting adjourned at 4:25 p.m.

SENATE FINANCE COMMITTEE
Wednesday, March 31, 1971
10:20 a.m.

Present

All members were present. It was moved and unanimous consent requested that SENATE BILL NO. 15, (State reimbursement for cash payment for school construction), be replaced with Committee Substitute for SB 15 and be reported out with do pass recommendation. Messrs. Hensley and Ray objected. On vote, motion passed 5-2.

General

SB 223
Chairman Butrovich called the meeting to order, and brought up the subject of Finance Committee introduction of a bill relating to Fish and Game license fees. The bill that had been drawn up would increase the cost of subsistence licenses from 25¢, which does not even provide cost for the vendor, to \$5.00, which enables the state to get 3-1 matching funds from the federal government. It was moved and unanimous consent requested that the bill be introduced by the Finance Committee and sent out with a "do pass" committee report. Senator Hensley objected, and on vote the motion passed, 6-1.

SB 195

Senator Ray moved and asked unanimous consent that SENATE BILL NO. 195 (tax on watercraft fuel) be brought up for consideration. No objection, so ordered. This bill, Senator Ray explained, raises the tax on watercraft fuel and provides that heating and cooking fuel be included in the tax. However, Senator Ray requested that the committee come in with a substitute bill, as he had intended that the tax be increased by 1¢, and the original bill increases it by 3¢, or double the present tax. Senator Ray said that the

increase to the state is \$1.5 million if the 4¢ tax passes and heating and cooking fuel is included, and about \$200,000 if just the tax is increased but heating and cooking fuel continues to be exempted. Senator Ray moved and asked unanimous consent that SB 195 be replaced with Committee Substitute for SB 195, increasing the tax to only 4¢, and be reported out of committee with a do pas. No objection, so ordered.

Recessed

The meeting recessed at 12:00 noon.

After Recess
1:30 p.m.

Present

All members of the Senate Finance Committee were present. Also present were Messrs. Charney, Lind and Guthrie of Budget and Management.

General

Chairman Butrovich called the meeting back to order, and turned the chair over to Senator Rettig for his review of the Department of Revenue budget.

Senator Ray moved and asked unanimous consent that the committee go into executive session. No objection, so ordered.

DEPT. OF
REVENUE

Senator Rettig said that the original budget allowance by the Governor was \$3,988,000, which was then revised to \$3,388,800. The department proposes to eliminate all program increases, 9-month vacant position, and reinstate \$150,000 for six field revenue agents.

Senator Rettig recommended a total department reduction of \$476,000, reductions as follow: Office of Commissioner, (\$5,700); Administrative Services, (\$20,600); Collection Division (\$9,700); Audit Division, (\$15,900); Motor Vehicle Division, (\$124,700); Treasury Division (\$291,100; Excise Tax Division, (\$5,000); ABC Board, (\$3,300), giving the total(\$476,000) decrease. He further proposed, however, that \$150,700 be reinstated for six requested field agents per the Dept. of Revenue letter of 3/10/71 [see department file]. He said that this has been proposed to the Budget Review Committee, and it is his understanding that they looked favorably on three of these positions (two for Anchorage and one for Fairbanks) but that the Governor has not approved

them. Mr. Charney recollected that Budget Review approved of four such positions, but apparently the department report is that only three were looked favorably on. In any event, Senator Rettig said that the full six, three to be placed in Anchorage, two in Fairbanks, and one in Juneau, is the number he would recommend. He explained that what these positions are are field revenue agents, which the state now has none of. Supportive data from other states indicates a tremendous amount of money generated by these field agents in terms of money owed the state and not being collected. He said that California produces approximately \$2.90 for every dollar expended in field work, and Hawaii produces \$9.95 for every dollar. Senator Rettig felt there is an even greater potential collection in Alaska than these figures indicate. There was discussion on the number of these agents to fund should the committee decide to fund any of them, and Senator Butrovich expressed the feeling that going from zero to six was perhaps a little unrealistic. Senator Hensley agreed and suggested funding perhaps three, so that they could see just how effective these men would be. Senator Ray disagreed and noting that apparently the Governor feels provision is adequate, judging from his failure to support these, he expressed the feeling that either the full six or none of the six should be funded. Senator Rettig said that he would like the committee to reserve judgment on this item until they talk to the department.

OPERATIONS

Senator Rettig asked the committee to follow his review by turning to page 17 in the Budget Request Book.

Office of
Commissioner
Code 100

Personal services in the Office of Commissioner is reduced by \$1,000 in Senator Rettig's recommendation. This results from elimination of overtime and recomputation of employee benefits.

Code 200

Senator Rettig reduced Travel from \$15,700 to \$11,900. Outside travel eliminated with the exception of three meetings of the Multistate Tax Conference and one meeting of the American Association of Motor Vehicle Administrators. This is a total reduction of \$3,800 which is primarily all outside travel.

Code 300

Senator Rettig reduced Contractual Services from \$8,800 to \$8,100. A total of \$700 eliminated. Professional fees and services seemed to be inadequately justified so Senator Rettig eliminated it entirely and also reduced Repairs to \$100.00.

Code 400

Senator Rettig reduced Commodities from \$800 to \$300 as detailed on page 28. Senator Rettig eliminated the item of recurring costs of technical books, pamphlets and reference manuals which is a \$500 item, purely a continuation of last year's explanation. He felt there are sufficient technical manuals elsewhere in the department.

Total

The total decrease for the entire division is \$5,700.

Administrative
Services

Code 100

Senator Rettig decreased Personal Services for the Division of Admin. Service from \$336,800 to \$324,700 detailed on page 38. This involves elimination of overtime, reinstatement of the vacancy and turnover factor for a reduction of \$12,100.

Senator Ray questioned the reinstatement of vacancy and turnover, considering that the 9-month positions have been

eliminated in the revised Governor's allowance. He was concerned that there would be insufficient funds to fund existing positions. Senator Rettig felt that since the positions which have been vacant 3-6 months are still funded, there will be sufficient funds even with the reinstatement of the vacancy and turnover factor to take care of all the positions.

Code 200 Senator Rettig decreased Travel from \$9,200 to \$7,500, eliminating outside travel.

Code 300 He reduced Contractual Services from \$36,300 to \$30,000, the 1971 level.

Code 400 He reduced Commodities to the 1971 level less \$100, \$5,700.

Code 500 No change made in the equipment code, \$1,900.

Code 900 No change made of Interagency charges.

100 Senator Rettig made a total reduction in Administrative Services of (\$20,600) from the Governor's revised figure of \$392,900 to \$372,300.

Collections Senator Rettig stated that he didn't do much to Collections. The only item changed is Personal Services. He eliminated overtime, reinstated \$7,900 for a vacancy and turnover factor and recalculated the 17% for a total reduction of \$9,200.

Code 400 He reduced Commodities to \$4,000, which is the F1 authorization.

Total A total reduction of (\$9,700) from \$554,700 to \$545,000 by Senator Rettig in the Collections Division.

Audit Very little change was made in the Audit Division, Senator Rettig said.

Code 100 He reduced Personal Services from the Governor's revised figure from \$524,900 to \$510,600. In this case overtime was left in but vacancy and turnover factor of \$13,600 was

reinstated and employee benefits accumulated for a decrease of (\$24,300). Senator Ray asked why the overtime was left in and Senator Rettig said that around tax refund time, public pressure demands it. Chairman Butrovich did not go along with this, particularly when it was noted that overtime is paid at time and a half, according to new state personnel rules. There was some discussion on this, and Mr. Charney explained that personnel rules have the effect of law unless there is a law concerning the subject matter, in which case that, of course, is what is followed.

Code 400

Budget Review allowed \$5,600 for Commodities which is the same as their maintenance level but that is about 60% more than the previous year and Senator Rettig gave them the previous year's figure plus 10%--reducing it to \$4,000. Senator Rettig's total reduction for Audit is (\$15,900) from \$590,000 to \$574,100.

Total

Motor Vehicle

Senator Rettig reduced Personal Services in Motor Vehicle Division, by (\$12,400) primarily for reinstatement of vacancy and turnover and recalculation of employee benefits. The transfer in of \$4,800 was eliminated. The vacancy and turnover factor was reinstated and overtime was left. Mr. Charney pointed out if he eliminates transfers in he is eliminating existing conditions. Senator Rettig corrected himself by leaving in the transfer and increasing the vacancy factor. He reduced Personal Services from \$467,100 to \$454,700.

Code 100

Code 200

Senator Rettig reduced outside travel from \$4,400 to \$3,100.

Code 300

In Contractual Services, Senator Rettig said he figures tabs

can be used on licenses for one more year and save \$100,000 if the department concurs with this. Senator Ray pointed out that the state might be able to be sued if reflector plates aren't used since a law was passed requiring these. Chairman Butrovich agreed and said the Legislature would have to repeal that law. Senator Rettig said if it is not repealed they will need about \$300,000 more than this, so repeal of the law is critical. The figure for Contractual Services is \$224,800.

Code 400

He reduced Commodities by (\$1,000) to \$5,000.

Code 500

He made no change in equipment.

Code 900

He made no changes in Inter-Agency charges.

Total

Senator Rettig's total reduction for Motor Vehicles is (\$124,700), from the Governor's revised figure of \$824,900 to \$700,200.

Treasury

The main item of reduction is the elimination of the deputy commissioner and his secretary in Personal Services, Treasury Division, which positions are not filled. The vacancy and turnover factor is reinstated, so Senator Rettig reduced the figure from \$178,300 to \$130,800.

Code 200

He reduced Travel from \$5,900 to \$4,400.

Code 300

The maintenance level for Contractual Services is \$272,500. That includes, in Code 380, \$100,000 to Blyth & Co. for investment management fees and \$150,000 for custodian of the fund fees plus some miscellaneous items--a total of \$272,500. Senator Rettig said he personally questions the justification for maintaining Blyth & Co. when the state is allowing Bank of America substantial profit for handling money and who have probably much more expertise than even

exists in Blyth & Co. who are not specialists in government securities at all. Their functions are primarily bookkeeping. \$150,000 additional is being asked by Mr. Wohlforth, Commissioner of Revenue, for an alternate program of money management, so they don't have to be tied to the existing contract with Bank of America, who take quite a profit off the top. Senator Rettig said you will have that no matter what authorized dealer you deal with. Senator Rettig said he recommends taking out Blyth & Co., plus the additional \$150,000 requested. Chairman Butrovich asked if they could do this, and the committee decided to talk with the department.

[Senators Palmer, Ray and Koslosky left.]

There was a lengthy discussion regarding overtime, a four-day, 40 hour week, and personnel rules.

Adj. rnment

The meeting was adjourned at 3:30 p.m.

SENATE FINANCE COMMITTEE
Thursday, April 1, 1971
11:35 a.m.

Present: All members.

General: Sen. Butrovich called the meeting to order. He announced that the Administration would like the members of the committee to be present for a final report from the Management Analysis Corporation to be held at 4:00 in the Governor's Conference room today. Sen. Butrovich said that it was up to individual members if they wanted to attend or not. He further announced that there would be a committee meeting to handle the Department of Law budget review at 1:30 today, and that Monday on adjournment they would begin the Department of Fish and Game budget review. It was moved and unanimous consent requested that the committee sponsor a bill relating to state aid for retirement of school construction bonds, discussed in earlier meetings, which decreases state aid from 50% to 25%, and that it be sent out with a "do pass" committee recommendation. No objection, so ordered.

SB 205

Recess: Meeting recessed at 12:00.

SENATE FINANCE COMMITTEE

April 1, 1971

2:15 p.m.

Present

All members of the Senate Finance Committee. Also present were Mr. Myrton Charney, Director of Budget and Management; Mr. Ron Lind and Mr. Richard Guthrie of Budget and Management; Mrs. Roberta Johnson, Administrative Officer, Department of Law; and, Mr. Tom Wardell, Deputy Attorney General, Department of Law.

General

Chairman Butrovich opened the meeting. Senator Lewis moved and asked unanimous consent that the committee go into executive session. No objection, so ordered. The meeting was turned over to Senator Ray for his budget review of the Department of Law. He introduced Mrs. Johnson and Mr. Wardell to the committee.

DEPT. OF LAW

Senator Ray said the Governor's original budget is \$2,638,600--the revised budget--\$2,317,700. This does not include reimbursable services. He noted that in further consultation with the Department of Budget and Management he found that a mistake had been made in the amount of \$100,000. He said Mrs. Johnson would advise the committee in general terms what the department is asking for. Mrs. Johnson said that Senator Ray was right--that there was an error of \$100,000, and \$2,417,700 for the operation of the Civil and Criminal Section for the next fiscal year is being requested.

Civil and
Criminal

Senator Palmer inquired about the lower Cook Inlet case. Mr. Wardell stated that the case is now firm and set for trial for October 1, 1971. He said there are two attorneys working fulltime plus an investigator to get ready for the

May 1 brief deadline. He stated that in terms of the amount of money that is at stake for the state it is estimated at one-half billion dollars. There have been problems before--there have been at least four attorneys working on the case who have left for various reasons. The \$50,000 requested figure is based on an estimate of the amount of money that will be necessary. Mr. Wardell said it wouldn't be spent unless it is needed but at the same time they don't want to cut themselves short. Senator Ray said as an alternate it would be possible to delete the \$50,000 and have the department identify their exact expenses for supplemental next year so the money wouldn't be used elsewhere.

Chairman Butrovich asked Mr. Wardell if he agreed with Senator Ray on this point and Mr. Wardell said the figure of \$50,000 is for the Cook Inlet case only, and noted that they, of course, are audited like anyone else so the money would be segregated.

Senator Ray noted that this is just two different philosophies. He said he is willing to abide by whatever the determination of the committee is.

Senator Lewis asked Mr. Wardell if the \$50,000 isn't funded and they are asked to turn in a supplemental next year would they have the money to operate? Mr. Wardell said money could be taken from other contractual services, etc., to continue the program until the end of the trial.

Senator Ray felt if they do go to court it will cost the state considerably more than \$50,000, trying the case. Mr. Wardell said that Mr. Cranston, the attorney who will be

trying the case had estimated \$50,000.

Senator Palmer asked if the suit would end with this October 1st trial. Mr. Wardell said the October trial will be before the U.S. District Court and would probably go to the U.S. Supreme Court.

Senator Palmer inquired about the amount of time anticipated before the final settlement. Mr. Wardell said it is difficult to project, but his guess is three to four years. He further stated that the date set for the District Court hearing of the case will not be changed, so there will be no more delay, which is what Senator Ray has objected to in the past.

Senator Ray thanked Mrs. Johnson and Mr. Wardell for appearing before the committee and they departed. As they were going Senator Lewis asked if they could live with any less of a budget and Mr. Wardell replied he didn't believe so.

[Senator Koslosky left.]

Senator Ray said that his recommended total with the \$50,000 for the Cook Inlet case included would be \$2,685,900. The total without that amount included would be \$2,635,900. He feels that if the \$50,000 is included there should still be an itemized bill as he doesn't feel a \$50,000 blank check should be given the Dept. of Law. He noted that this figure includes \$323,200 for Reimbursables.

Reimbursable
Services

Senator Rettig asked if Senator Ray had knocked out \$5,700 from Reimbursable Services and Senator Ray replied that he had taken this figure for last year plus an additional \$49,000 for Personal Services which is the salary increase in employee benefits, giving \$284,800-Personal Services; \$8,000-

Travel; \$27,400-Contractual Services; \$3,000-Commodities and nothing for equipment for a total of \$323,200. Senator Lewis said he would support Senator Ray on the Cook Inlet \$50,000 as a supplemental because it is an exceptional case but on the whole he felt it is poor policy to let a department spend what they want to spend and come back with a supplemental. He noted Health & Welfare has asked to do the same thing but he is discouraging it.

LEGISLATIVE
INTENT

It was Senator Ray's recommendation that the \$50,000 not be funded but that there be LEGISLATIVE INTENT that if the lower Cook Inlet case goes to trial and the department needs additional monies, the Legislature will pay an itemized bill for costs.

Senator Ray's final recommendation for Administration was \$2,282,700. The breakdown is as follows: Code 100-\$1,858,800; Code 200-\$46,000; Code 300-\$331,600; Code 400-\$20,000; Code 500-\$7,000; Code 700-\$4,000; Code 800-0; Code 900-\$15,300 for a total of \$2,282,700. Senator Rettig asked for a breakdown of Contractual Services and Senator Ray gave it as follows: Code 310-\$50,000; Code 320-\$3,200; Code 330-\$68,200; Code 340-\$6,250; Code 350-\$12,500; Code 360-\$15,000; Code 370-\$500; Code 380-\$63,000; Code 390-\$11,700; Code 393-\$113,000 for a total of \$331,650.

Chairman Butrovich asked if the percentage increase over last year had been figured and Senator Ray said in gross dollars there has been an 11% increase. Senator Rettig said the actual increase is \$225,000 of which \$170,000 is the unreflected increase of salaries. It actually is an increase of about \$50,000 which is about 2%.

Adjournment

The meeting was adjourned at 3:15 p.m.

JOINT MEETING
SENATE AND HOUSE FINANCE COMMITTEES
April 1, 1971
4:10 p.m.

Present: Members of the Senate and House Finance Committees; Deputy Commissioner Freer of the Department of Administration and Mr. Charney, Director of Budget and Management; and Mr. Graham Taylor, Vice-President of Management Analysis Center Incorporated.

PROGRAM
BUDGETING

Chairman Butrovich called the meeting to order and turned it over to Mr. Taylor. Mr. Taylor referred to the briefing report, "Improving the Budget Process in Alaska", which his firm had prepared. He stated that implementation of the proposals contained in this report would achieve the full intent of the Executive Budget Act, which was passed last year, at the end of a three-year period. He went through the introductory section of the report which shows some of the defects in the present budget process. Following this there is a summary of recommendations cited in the following order: Budget Cycle, Issue Process, Budget Framework, Budget Preparation, Capital Budgeting, Budget Review, Budget Execution, Program Evaluation, and Organization, Staffing and Training. (See the report for details on the above recommendations--starts on page 3.)

Sen. Ray asked about the reorientation to provide necessary staff support on page 7. Mr. Taylor said that they were suggesting that three analysts be added to the Division of Budget and Management and two budget technicians who would be half clerical and half budget analysts. He went on to say that they recommend a training program be conducted by an outside contractor.

Sen. Ray asked the cost to conduct such a program. Mr. Taylor said that the total^{additional} cost is \$100,000 which would include the training program. This, he said, would be a one time cost between May of

this year and May of next year. The recurring cost would be approximately \$150,000 a year, primarily for the Division of Data Processing and the Division of Budget and Management.

Sen. Lewis asked if this meant a total this year of \$250,000 and was told that it did. He then asked if legislators were to be trained to understand program budgeting. Mr. Taylor said that they would be trained. However, he didn't know whether there would be training for the full legislature or just for committees primarily involved or for members who desired training. The \$150,000 is not for the training but for studies on personnel. The training portion is \$15,000 off the total \$100,000. There will be fairly brief sessions--one day workshop for the capitol, three day workshops for the operating people like the division managers and senior staff people, the legislature would not demand more than one or two days training.

Sen. Lewis stated that presumably Mr. Taylor's firm would be the contractor. He asked if there were any other states which had implemented program budgeting.

Mr. Taylor said that they had worked out plans for Hawaii, Colorado, New Mexico and Utah to varying degrees. Hawaii has adopted it to the fullest extent and more than is being recommended for Alaska.

Sen. Rettig asked about the budget framework cited on page 4. He wondered about converting into one program functions now conducted by three departments and whether this would mean wiping out departments as they now exist. Mr. Taylor said no, that it was only for the budget making process.

Sen. Rettig said there was a high degree of cost accounting and wondered if departments working together on a program would share

the cost of personnel. Mr. Taylor answered that that would not be the case. There was in fact a deliberate rule against it. People would not be chopped down the middle.

for example
Sen. Rettig asked/who would be responsible for transportation objectives when departments were combined. Mr. Taylor answered that the departments involved would have an appropriation level and a program level. The people in charge make the objectives within the groupings. Sen. Rettig asked if the contributions of each department could be measured. Mr. Taylor said that they could.

Mr. Fink asked why they were not recommending reorganization of the Departments, and Mr. Taylor answered that they didn't need to if information could be pulled out when the budget is prepared.

Sen. Rettig said that they recommend to accomplish this during a three-year period so it all has to be undertaken now. He asked if it wouldn't be wiser to undertake one aspect of the arrangement for a couple of years so that it could be approached without risking the entire program. Mr. Taylor said that is not what they have seen in other states. When only a certain degree of the program is approached, they are leaving the rest of the state alone and losing 99% of the benefit of program budgeting. The major benefits of the plan are 1) change in the way in which the budget process works, mainly using more analysis, and 2) that pieces of the budget are linked together in the program sense. Thus, if only one program is taken, 9/10 of the state's activities are untouched.

Mr. Taylor said that they were not recommending that everything be done simultaneously. They want to start out with the high pay-off areas, first getting analysis into the budget making. The issue process will begin next month and thus program policy will be issued

next month. In July the budget manual will be proposed. The various changes in accounting and code systems and computers would be deferred nine months. Budget reviews would be in 18 months and capital improvements are two years away. However, the entire state is covered at each station. It is important to view the whole budget rather than to refine small pieces of it. Even with only slight improvement there is more pay-off in the budget as a whole.

Sen. Rettig referred to the sample which has been prepared for the committee. He didn't feel it could really tell them anything.

Mr. Taylor said that it shows what they have the right to expect three years from now on every level of the state.

Sen. Rettig said that without reorganization of departments, they wouldn't be able to call in the Commissioner of Administration to account for his part in budget allowances. Mr. Taylor stated that they would be asking him to account for budget allowance in different programs.

Sen. Rettig asked if the accounting would be in dollars and Mr. Taylor said that it would. There would still be line items, but there would be more cross-indexing plus all state funds. There would be comparisons between state, federal, and local programs. They are not suggesting sacrificing any information in the budget now, but adding these other things as a supplement.

Sen. Lewis asked about the \$50,000 which has already been paid to Management Analysis Center, Inc. Mr. Taylor said that money is for the document they prepared, which is now being printed and for another of other studies concerning Alaska's budget.

Sen. Lewis asked if the firm could produce recommendations from some other state, and Mr. Taylor stated that no state has yet gone

all the way with program budgeting. Hawaii, for example, has a program which is only one year old.

Mr. Taylor said that they are suggesting that all monies for all departments be reappropriated each year and thus no money would be funded without specific approval each year.

Mr. Haugen summarized the point by saying that they would start out with zero and develop a budget step by step for each program.

Mr. Taylor said that they are using the term "zero based budget review" for that process. To do that for the entire budget is too much at one time. They are thus suggesting that all programs go through it once every three or five years. All new programs would come under this process. In addition, if certain programs were felt to require it, they would be put through.

Mr. Haugen asked if they would get evaluations of state and federal programs and Mr. Taylor said that they were proposing that the source of funds for all programs be projected for five years so that if federal funds are taken, their impact could be seen. Mr. Taylor said that the procedures made one year become the basis for the next year and discrepancies can be found and questioned.

Adjournment: Meeting adjourned at 5:10 p.m.

SENATE FINANCE COMMITTEE

April 2, 1971

1:30 p.m.

Present: All members except Sen. Palmer. Also present were Mr. Myrt Charney, Director of Budget and Management, and Mr. Ron Lind, Budget Analyst.

NATURAL
RESOURCES

Chairman Butrovich called the meeting to order and stated that Sen. Lewis was going to review the Natural Resources budget. Sen. Ray moved and asked unanimous consent that they go into executive session. No objection, so ordered.

ADMINIS-
TRATION

Office of
the Com-
missioner

Sen. Lewis started out with the Office of the Commissioner. The Governor's allowance is \$262,700 and Sen. Lewis's allowance is \$260,100. He stated that first he went over the budget line by line, then he went to the Commissioner and asked where it could be cut, then he went over it with Ron Lind, and then he took advantage of the GBRC allowance.

Total

Code 100 The Department requested \$272,200, the Governor allowed \$219,200, and Senator Lewis allowed \$218,900.

Code 200 Under travel the Department requested \$24,600, the Governor's allowance is \$14,500, and Sen. Lewis's allowance is \$13,400.

Code 300 The Department requested \$25,900 for contractual services. The Governor allowed \$22,700 and Sen. Lewis allowed \$21,500.

Code 400 The Department requested \$2,200 for commodities. The Governor allowed \$1,900 and Sen. Lewis allowed \$1,900.

Code 500 Under equipment the Department requested \$2,300. The Governor allowed \$1,400 and Sen. Lewis allowed \$1,400.

Code 900 Under inter-agency charges the Department requested \$3,000. The Governor allowed \$3,000 and Sen. Lewis allowed \$3,000.

Sen. Rettig asked if ^{interagency} receipts were the same and Sen. Lewis answered that they were. Sen. Rettig stated that this would give \$244,200

of impact. David Dean stated that the grand total for funding is on the summary page.

LANDS
Office of
Director

The Governor's allowance/for Division of Lands is \$2,182,800 and Sen. Lewis's allowance is \$2,080,200.

Central
Services
total

Office of Director,
The Governor's allowance for/Central Services is \$431,600 and Sen. Lewis's allowance is \$408,700.

Code 100

for personal services
He allowed \$201,500/as compared to the Governor's \$219,300.

Code 200

He allowed \$2,000 for travel and the Governor allowed \$3,300.

Code 300

He allowed \$169,400 for contractual services and the Governor allowed \$172,000.

Code 400

Under Commodities he allowed \$33,800 and the Governor allowed \$35,000.

Code 500

Both the Governor and Sen. Lewis agreed on allowing nothing for equipment.

Code 900

The Governor and Sen. Lewis allowed \$2,000 for inter-agency charges. Sen. Lewis stated that his main cuts were:disallowance of new programs and personnel, disallowance of outside travel and inside travel was reduced to conform with the Governor's recommendation. Inter-agency receipts are \$56,800, the same as last year. The unrestricted general fund figure is \$351,900.

South-
central
total

The Governor's allowance for the Southcentral District is \$120,000. Senator Lewis's allowance is \$118,400, all of which is general fund money.

Code 100

The Governor allowed \$105,500 for personal services and Sen. Lewis allowed \$105,200.

Code 200

The Governor allowed \$8,400 for travel and Sen. Lewis allowed \$8,000.

Code 300

The Governor allowed \$5,000 for contractual services and Sen. Lewis allowed \$4,100.

Code 400

The Governor allowed \$1,000 for commodities and the Senator allowed the same.

Code 500 The Governor allowed \$100 for equipment and Sen. Lewis allowed the same.

North-central total The Governor allowed \$11,500 for the Northcentral District and Sen. Lewis allowed \$107,900 using the rationale he described earlier.

Code 100 Sen. Lewis allowed \$79,300 for personal services as compared to \$80,700 which is the Governor's allowance.

Code 200 Sen. Lewis allowed \$3,400 for travel, the same as the Governor's allowance.

Code 300 Sen. Lewis allowed \$15,300 for contractual services and the Governor allowed \$17,400.

Code 400 Sen. Lewis allowed \$900 and the Governor allowed \$1,000.

Code 500 Sen. Lewis allowed \$500 for equipment and the Governor allowed \$500.

Code 900 Sen. Lewis allowed \$8,500 for inter-agency charges and the Governor allowed the same.

Southeast total The Governor allowed \$134,300 for the Southeast District and Sen. Lewis allowed \$131,300, all general fund money.

Code 100 The Governor allowed \$113,100 for personal services and Sen. Lewis allowed \$111,300.

Code 200 The Governor allowed \$4,600 and Sen. Lewis allowed the same.

Code 300 The Governor allowed \$16,800 and Sen. Lewis allowed \$10,000.

Code 400 The Governor allowed \$800 and Sen. Lewis allowed \$700.

Code 500 The Governor allowed \$700 and Sen. Lewis allowed the same.

Code 900 The Governor allowed \$4,300 and Sen. Lewis allowed \$4,000.

Sen. Lewis felt his figures to be self-explanatory.

Lands Section The Governor allowed \$235,100 for the Lands Section and Sen. Lewis reduced that to \$225,700, all general fund.

Total 100 The Governor allowed \$219,500 and Sen. Lewis reduced that to \$210,200. He took off the vacancy and turnover factor and didn't allow new positions.

Code 200 The Governor allowed \$6,300 and Sen. Lewis allowed the same.

300 The Governor allowed \$8,800 and Sen. Lewis reduced that to \$8,100.

Code 400 The Governor allowed \$500 and the Senator allowed the same.

Code 500 Nothing was allowed for equipment.

Sen. Ray stated that there was a problem with the forthcoming
pulp mill in that the only^{state} land available to build homes on is
in two areas--the end of Engineer's Cut-off and North Tee Harbor.
North Tee Harbor has priority as it has already been surveyed and
broken up into lots. The problem with both areas is that they
can't be sold until there is an access road to the lots. However,
the North Tee Harbor area has already been surveyed for a road.
Sen. Ray stated that the road would cost about \$100,000.

Cadastral Engineering
total The Governor allowed \$379,300 for Cadastral Engineering and Sen.
Lewis reduced that figure to \$369,700, all general fund money.

Code 100 The Governor allowed \$314,800 and Sen. Lewis reduced this to \$308,000.
The only change with Sen. Lewis made was to reapply the vacancy and
turnover factor. Otherwise current personnel is the same.

Code 200 The Governor allowed \$14,600 and Sen. Lewis reduced that to \$13,800.
He disallowed outside travel.

Code 300 The Governor allowed \$40,900 and Sen. Lewis allowed \$40,100.
The difference is \$100 less in printing and advertising, \$100 less
in repairs and services and \$350 in aircraft rental, and \$250 in
other contractual services.

Code 400 The Governor allowed \$6,500 and Sen. Lewis allowed \$5,300.

Code 500 The Governor allowed \$2,500 and Sen. Lewis allowed the same.

Forestry
total The Governor allowed \$512,800 for the Forestry Section, and Sen.
Lewis reduced this to \$477,100.

Code 100 The Governor allowed \$214,700 and Sen. Lewis reduced it to \$204,800. Sen. Lewis stated that the difference in the general fund reverted back to vacancy and turnover.

Code 200 The Governor allowed \$13,800 and Sen. Lewis reduced it to \$10,700.

Code 300 The Governor allowed \$206,300 and Sen. Lewis allowed \$189,300.

Code 400 The Governor allowed \$20,600 and Sen. Lewis reduced it to \$15,900.

Code 500 The Governor allowed \$24,200 and Sen. Lewis allowed the same.

Code 800 The Governor allowed \$10,000 and Sen. Lewis allowed the same.

Code 900 The Governor allowed \$23,200 and Sen. Lewis reduced it to \$22,200.

Minerals The Governor allowed \$141,300 for the Minerals Section and Sen.

Total Lewis reduced it to \$130,900.

Code 100 Under personal services, the Governor allowed \$134,500 and Sen. Lewis reduced it to \$125,000.

Code 200 Under travel, the Governor allowed \$1,300 and Sen. Lewis reduced it to \$800.

Code 300 Under contractual services, the Governor allowed \$5,100 and Sen. Lewis reduced it to \$4,700.

Code 400 Under commodities, the Governor allowed \$400 and Sen. Lewis allowed the same.

Code 500 Nothing was allowed under equipment.

Water Resources The Governor allowed \$116,900 for Water Resources and Sen. Lewis reduced it to \$111,100.

Total

Code 100 The Governor allowed \$84,800 and Sen. Lewis reduced it to \$83,300.

Code 200 The Governor allowed \$7,000 and Sen. Lewis reduced it to \$5,700.

Code 300 The Governor allowed \$23,000 and Sen. Lewis reduced it to \$20,100.

Code 400 The Governor allowed \$300 and Sen. Lewis allowed \$200.

Code 500 The Governor allowed \$400 and Sen. Lewis allowed the same.

Code 900 The Governor allowed \$1,400 and Sen. Lewis allowed the same.

BOOK II

GEOLOGICAL
SURVEY

The Governor allowed \$187,100 for the Office of the Director, and
[redacted] of Sen. Lewis reduced this figure to \$180,700, all general fund monies.
the Director

Code 100 The Governor allowed \$131,700 and Sen. Lewis reduced it to \$128,000.

Code 200 The Governor allowed \$4,000 and Sen Lewis reduced that to \$2,900.

Code 300 The Governor allowed \$43,100 and Sen. Lewis reduced that to \$41,900.

Code 400 The Governor allowed \$3,200 and Sen. Lewis reduced that to \$2,800.

Code 500 The Governor allowed \$200 and Sen. Lewis allowed the same.

Code 600 Nothing was allowed in this code.

Code 900 The Governor allowed \$4,900 and Sen. Lewis allowed the same.

Mining The Governor allowed 0 for the Mining section and Sen. Lewis concurred.

Laboratory The Governor allowed \$106,900 for the Laboratory and Sen. Lewis
reduced this to \$104,300, all general fund.

Code 100 The Governor allowed \$93,000 and Sen. Lewis reduced that to \$92,000.

[redacted] 200 The Governor allowed \$1,000 and Sen. Lewis reduced that to \$500.

Code 300 The Governor allowed \$7,700 and Sen. Lewis reduced that to \$7,000.

Code 400 The Governor allowed \$5,200 and Sen. Lewis reduced that to \$4,800.

Code 500 The Governor allowed 0 and Sen. Lewis concurred with that.

Mining The Governor allowed \$229,200 for Mining Geology and Sen. Lewis
Geology reduced that to \$208,100.
Total

Code 100 The Governor allowed \$160,100 and Sen. Lewis reduced that to \$145,300.
He disallowed vacancy and turnover and all overtime. He also dis-
allowed two new positions.

Code 200 The Governor allowed \$15,100 and Sen. Lewis allowed the same.

Code 300 The Governor allowed \$48,700 and Sen. Lewis reduced that to \$43,900.

Code 400 The Governor allowed \$4,500 and Sen. Lewis reduced that to \$3,200.

Code 500 The Governor allowed \$800 and Sen. Lewis reduced that to \$600.

[redacted] Geology
Services The Governor allowed \$302,000 for Geology Services and Sen. Lewis
reduced that to \$103,200, all general fund monies.
Total

Code 100 The Governor allowed \$120,100 and Sen. Lewis allowed \$92,900.
200 The Governor allowed \$13,700 and Sen. Lewis reduced that to \$5,600.
Code 300 The Governor allowed \$164,000 and Sen. Lewis allowed \$3,600.

This Code is the big difference in the total figure. The main reduction is in the areo-magnetic program. He stated that there was a lot of difference of opinion as to its value. He said that the Governor had already cut \$100,000 from the program and he had just eliminated it entirely. He also added that the department wasn't giving any static on this reduction.

Code 400 The Governor allowed \$1,000 and Sen. Lewis allowed \$500.

Code 500 The Governor allowed \$3,200 and Sen. Lewis reduced it to \$600.

This is a result of the disallowance of the new positions.

Prospector
Aid Nothing is allowed for this section.

Sen. Ray objected to the deletion of Prospector's Aid.

AGRICUL-
TURE The Governor has allowed \$698,400 for the Division of Agriculture,
and Sen. Lewis has reduced that to \$647,200.

Office of
the Direc-
tor The Governor allowed \$115,800 and Sen. Lewis reduced that to
\$90,000.

Code 100 The Governor allowed \$50,300 and Sen. Lewis reduced that to \$47,100.

Code 200 The Governor allowed \$4,100 and Sen. Lewis reduced that to \$2,800.

Code 300 The Governor allowed \$24,300 and Sen. Lewis reduced that to \$20,100.

Code 400 The Governor allowed \$2,800 and Sen. Lewis reduced that to \$2,400

Code 500 The Governor allowed \$300 and Sen. Lewis reduced that to \$100.

Code 700 The Governor allowed \$33,000 and Sen. Lewis reduced that to \$16,500.

This is for Aid to Fairs and Sen. Lewis stated that there is nothing in the statutes that says it has to be funded, just that the state can do it, and there is no formula setting it up.

Sen. Ray returned and asked for a five minute at-ease so that the committee could listen to a story. [Story at end of minutes.]

Plant Industry

The Governor allowed \$54,500 for the Plant Industry and Sen. Lewis reduced that to \$41,600.

Code 100 The Governor allowed \$32,800 and Sen. Lewis allowed the same. They both deleted the new agricultural inspector.

Code 200 The Governor allowed \$5,500 and Sen. Lewis allowed \$4,900.

Code 300 The Governor allowed \$5,600 and Sen. Lewis allowed \$3,400.

Code 400 The Governor allowed \$500 and Sen. Lewis allowed \$400.

Code 500 The Governor allowed \$100 and Sen. Lewis allowed \$100.

Code 900 The Governor allowed \$10,000 and Senator Lewis reduced that to Ø.

Animal Industry

The Governor allowed \$261,800 and Sen. Lewis reduced that to \$232,300.

Code 100 The Governor allowed \$205,500 and Sen. Lewis reduced that to \$180,600.

Code 200 The Governor allowed \$15,300 and Sen. Lewis allowed \$13,000. He deleted outside travel.

Code 300 The Governor allowed \$28,300 and Sen. Lewis allowed \$26,800.

Code 400 The Governor allowed \$8,500 and Sen. Lewis reduced that to \$8,200.

Code 500 The Governor allowed \$200 and Sen. Lewis allowed the same.

Code 600 Nothing was allowed.

Code 700 The Governor allowed \$1,000 and Sen. Lewis reduced that to \$800.

Code 900 The Governor allowed \$3,000 and Sen. Lewis allowed \$2,700.

Small Grain Incentive

The Governor allowed \$40,000 and Sen. Lewis raised this to \$80,000.

Code 700 The money comes under grants, claims and shared revenue. The first year there was a draught so that portion of the money is added on.

Loan Fund
California
Commission

The Governor allowed \$150,000 and Sen. Lewis reduced that to \$140,000.

Code 900 The money comes under this code. Sen. Lewis allowed enough money to pay back what is owed now. He said that we're borrowing at

5% and loaning at 4 1/2%.

Loan
Adminis-
tration

The Governor's allowance for Loan Administration is \$76,300 and Sen. Lewis reduced that to \$63,300.

Code 100 The Governor allowed \$44,500 and Senator Lewis reduced that to \$42,300.

Code 200 The Governor allowed \$12,600 and Sen. Lewis reduced that to \$9,200.

Code 300 The Governor allowed \$7,200 and Sen. Lewis reduced that to \$5,500.

Code 400 The Governor allowed \$300 and Sen. Lewis allowed the same.

Code 500 The Governor allowed 0 and Sen. Lewis allowed 0.

Code 900 The Governor allowed \$11,300 and Sen. Lewis allowed \$6,000.

OIL & GAS The Governor allowed \$398,300 for the Division of Oil and Gas, and Sen. Lewis reduced that to \$369,300.

Office of The Governor allowed \$131,200/and Sen. Lewis reduced that to \$123,300.
the Director for the Office of Director

Sen. Butrovich questioned the lower figure for the unrestricted general fund and David Dean explained that when the State raised the severance tax the legislature repealed the conservation tax.

Code 100 The Governor allowed \$73,500 and Sen. Lewis reduced it to \$72,000.

Code 200 The Governor allowed \$2,400 and Sen. Lewis reduced it to \$2,300.

Code 300 The Governor allowed \$46,500 and Sen. Lewis reduced it to \$41,000 .

Code 400 The Governor allowed \$2,200 and Sen. Lewis reduced it to \$1,700.

Code 500 Nothing was allowed in this code.

Code 900 The Governor allowed \$6,600 and Sen. Lewis allowed \$6,300.

Petroleum The Governor allowed \$161,100 for this section and Sen. Lewis
Engineering reduced it to \$141,700.

Code 100 The Governor allowed \$126,400 and Sen. Lewis reduced it to \$123,400.

Code 200 The Governor allowed \$20,600 and Sen. Lewis reduced it to \$10,000.

Code 300 The Governor allowed \$10,900 and Sen. Lewis reduced it to \$6,200.

Code 400 The Governor allowed \$3,200 and Sen. Lewis reduced it to \$2,100.

Code 500 Nothing was allowed in this code.

Petroleum
Geology The Governor allowed \$106,000 for the Petroleum Geology section, and Sen. Lewis reduced it to \$104,300, all general fund monies.

Code 100 The Governor allowed \$101,900 and Sen. Lewis allowed the same.

Code 200 The Governor allowed \$2,200 and Sen. Lewis allowed \$800.

Code 300 The Governor allowed \$1,200 and Sen. Lewis allowed \$1,100.

Code 400 The Governor allowed \$700 and Sen. Lewis allowed \$500.

Code 500 There was nothing allowed for this code.

PARKS The Governor's allowance was \$864,500 and Sen. Lewis reduced that to \$678,600.

The Committee had trouble understanding the transfers from the Division of Lands, Parks and Recreation Section, to the Director's Office, Division of Parks, so Sen. Lewis asked for a recess until Commissioner Wallington could come over to explain it.

Recess: Chairman Butrovich recessed the meeting at 3:20.

After Recess

Chairman Butrovich called the meeting back to order and asked Commissioner Wallington to explain why they deleted \$81,000 from the Division of Lands budget and transferred \$96,000 into the Division of Parks.

Commissioner Wallington stated that last year before Parks was made a division and taken out of Lands, there was \$683,000. He stated that this wouldn't show up in the budget document because it is in the matching fund appropriation.

David Dean stated that Page 439 gives \$410,700 as what it cost last year. Mr. Wallington explained that was the general fund appropriation, federal matching funds bring it up to \$683,000.

Mr. Wallington stated that their total for the Division of Parks

has been revised to go along with the Governor's allowance of \$864,500.

He went on to say that they made an agreement with the Department of Highways for \$65,000 in interagency money and the Department of Natural Resources contributes personnel and labor. He said they need two or three persons to do this program.

Sen. Lewis stated that he had allowed current positions and no new ones except the one to run maintenance.

Mr. Wallington stated that he requested three park ranger positions from Budget and Management to do the job with the Highway Department. If they are ^{not} allowed, there will be a lot of screaming from the public because the garbage cans will overflow and there will be nobody to clean up.

Sen. Butrovich asked if Highways would pay for this program. Mr. Wallington stated that they would pay \$65,000. The Department of Natural Resources is asking \$30,000 in employees. This was done in a special supplemental to Mr. Charney.

Sen. Lewis asked what the Planning Section for the Division of Parks did and Mr. Wallington explained that it does the planning and designing for parks which is necessary to get federal matching funds. The Park planner and designer work on comprehensive park plans to conform to federal law.

Sen. Butrovich asked what was done about this last year, and The Commissioner explained that it was in the lands division budget, parks and recreation section of lands. He went on to say that if they didn't do comprehensive plans BOR funds would be cut off. They are now on a 50-50 ratio. The projects which would be affected by this would be the Nancy Lake Projects plus projects with various cities that match funds with the federal government. For example, Sandy Beach in Douglas.

He went on to say that they might as well face the facts that this is an always increasing program.

Office of the Director The Governor allowed \$218,600 and Sen. Lewis reduced it to \$171,500.

Code 100 The Governor allowed \$107,800, and Sen. Lewis reduced it to \$94,900.

Code 200 The Governor allowed \$2,800 and Sen. Lewis reduced it to \$1,000.

Code 300 The Governor allowed \$23,200 and Sen. Lewis reduced it to \$11,500.

Code 400 The Governor allowed \$23,200 and Sen. Lewis reduced it to \$11,500.

Code 500 The Governor allowed \$15,000 and Sen. Lewis reduced it to \$500.

Code 900 The Governor allowed \$46,600 and Sen. Lewis allowed the same.

Planning The Governor allowed \$133,600 and Sen. Lewis reduced that to \$94,800.

Code 100 The Governor allowed \$106,700 and Sen. Lewis reduced that to \$87,200.

Code 200 The Governor allowed \$4,700 and Sen. Lewis reduced that to \$2,000.

Code 300 The Governor allowed \$14,300 and Sen. Lewis reduced that to \$4,500.

Code 400 The Governor allowed \$2,300 and Sen. Lewis reduced that to \$1,100.

Code 500 The Governor allowed \$2,600 and Sen. Lewis reduced that to 0.

Code 700 The Governor allowed \$3,000 and Sen. Lewis reduced that to 0.

Maintenance & Operation The Governor allowed \$425,800 and Sen. Lewis reduced that to \$325,800.

Code 100 The Governor allowed \$238,000 and Sen. Lewis reduced it to \$184,800.

Code 200 The Governor allowed \$40,900 and Sen. Lewis reduced it to \$25,300.

Code 300 The Governor allowed \$31,900 and Sen. Lewis reduced it to \$14,500.

Code 400 The Governor allowed \$21,400 and Sen. Lewis reduced that to \$18,200.

Code 500 The Governor allowed \$13,600 and Sen. Lewis reduced that to \$3,000

Code 900 The Governor allowed \$80,000 and Sen. Lewis allowed the same.

Construction The Governor allowed \$86,500 and Sen. Lewis allowed the same.

Code 100 The Governor allowed \$84,900 and Sen. Lewis allowed the same.

Code 200 The Governor allowed \$500 and Sen. Lewis allowed the same.

Code 300 The Governor allowed \$100 and Sen. Lewis allowed the same.

Code 400 The Governor allowed \$200 and Sen. Lewis allowed the same.

500 The Governor allowed \$800 and Sen. Lewis allowed the same.

Sen. Lewis stated that there would be four factors to consider at the next meeting: 1) Aid to Fairs, 2) the \$10,000 marketing program, 3) the road and 4) the Fairbanks land office.

Adjournment: Meeting adjourned at 4:20 p.m.

[AT EASE STORY]

Sen. Ray introduced Mr. L. C. McKackney who wanted to speak on the subject of blocked fish streams at Soluia Bay and Bradshaw Cove. He stated that in Taku Harbor there used to be a lot of trout and coho and on a trip a thousand pounds of trout was an easy operation. Now there are beavers there and nothing can get in or out of the lake. He had spoken with the Department of Fish and Game and they were courteous and told him that they only had men in the field at Ketchikan, Petersburg, Sitka, and Yakutat, and so they couldn't do anything about it. Mr. McKackney said that there used to be a cannery at Taku Harbor, and they had kept the stream open. He said that it is a beautiful place to go and would be a wonderful recreation area with trap fishing and trout fishing. The other place is in ^{PERIL} ~~Pearl~~ Straights, which is a big lake where he spent a lot of time years ago. It is a horseshoe lake and there is only a small creek coming out of it now. A few humback salmon can get up to the falls and that is all. The last time he was there he noticed that there was gravel and grass encroached at the mouth and so nothing can get into the lake. If that could be blasted down, it would be a fine stream again.

Sen. Ray commented that for every man the Fish and Game has in the field, there are ten in the office, and that is where the problem is.

Mr. McKackney said that he is told there are a number of places like these. When he first came to Alaska in 1904 the creeks were full of fish.

Sen. Butrovich stated that he was in favor of making a resolution and the committee decided to take the matter up at a later date.

SENATE FINANCE COMMITTEE

April 5, 1971

3:30 p.m.

Present: All members of the committee except Sen. Palmer. Also present was Mr. Lloyd Hodson, general manager for Alaska Village Electrical Co-op.

ALASKA
VILLAGE
ELECTRI-
CAL CO-OP

Chairman Butrovich called the meeting to order and turned the Chair over to Sen. Lewis. Sen. Lewis introduced Mr. Hodson who briefly (AVEC) went over the background of the Co-op. He stated that it was started⁵⁹ in 1967 for the purpose of providing electricity to the/outlying villages of Alaska (among the less than 1% of the U.S. population that do not have this service). The funding has come from the Rural Electrification Administration (REA), the Office of Economic Opportunity (OEO), the federal and state Departments of Labor and the BIA. REA conducted an initial feasibility study and agreed to furnish a loan of \$5.2 million. One of the requirements REA imposed was that installations be installed in accordance with REA approved plans and specifications, and they acted as a review agency and field monitor for this purpose. The OEO agreed to provide grants to start the program and pay salaries, travel, per diem, board expenses, training and certain other costs. Their grants from 1968 to date total \$1,174 million.

Currently 33 villages are being served by AVEC and 11 more are scheduled for completion during the balance of 1971. The requests from other villages who wish to obtain electrical systems far exceeds available funds or resources. In addition, the Co-op has encountered several major design problems where new or different approaches are required. Substantial rework of existing systems will be required in some cases. The introduction of many new houses in villages already energized requires substantial additional costs to supply electrical service. The installed cost per power plant also exceeded original estimates

in many cases. The average cost per future village will be higher because of a combination of inflation and the need to eliminate some of the design deficiencies in the original configuration. This means that only an estimated six more villages can be completed, above the 44 already energized or planned for 1971 completion, with the original REA loan of \$5.2 million. No additional loan money will be available from REA unless AVEC is able to demonstrate "feasibility". This will not be possible for several reasons unless permanent increased sources of regular revenue are obtained.

The villages served range from Angoon on Admiralty Island farthest east, Old Harbor on Kodiak Island, farthest south, Gambell on St. Lawrence Island farthest west, to Point Hope on the north.

The size of the power plants range from 35 KW to 300 KW. There are both single phase and three phase installations, depending on load size and requirements. All new connections provide a capability to provide both 120 to 240 volt service when the consumer installs wiring in the building served.

Mr. Hodson stated that they have four general sources of revenue once villages have been energized: 1) State/BIA, 2) Residential, 3) Commercial, 4) Public Buildings.

They are attempting to increase the revenue from the State and the BIA. The BIA has tentatively agreed to increase their amount by \$142,000. With BIA schools paying \$1200 a month, the accumulated annual deficit will be \$1,278,000 by ¹⁹⁷⁵ / If the BIA schools go to \$2400 a month, the deficit will be lowered to \$572,000. He felt there were several ways to cut their budget. For example, right now they are required under REA to have insurance on all of their equipment at a total cost of \$54,000 which he feels is excessive. As a management goal, he believes they will be able to pick up 10% efficiency.

Sen. Rettig asked if OEO would cut back their money in 1975 and Mr. Hodson stated that the initial plan was not to pick up any money after three years. However they have agreed to stick with AVEC to get through some of the problems.

Sen. Butrovich asked if \$1200 a month was for 12 months or the 9 month school year. Mr. Hodson stated that it was for 12 months and that \$2400 a month would be on the same basis.

Sen. Lewis asked where the power came from and was told they used diesel generators.

Sen. Lewis if meters were used in residential and commercial buildings and asked the cost per KW hour. Mr. Hodson said that they charged 20¢ per KW hr. for the first block of 75, 15¢ per KW hr. at the 225 block, 12¢ at the 700 block and 9¢ over 1,000 block.

Sen. Rettig asked what the schools with their own generators were paying and Mr. Hodson said he had never seen a realistic cost study.

Sen. Rettig asked if the KW rates were low and was told that according to an study done by APA the cost of KW hours in developed areas are a little under 4¢ an hour. This makes AVEC's 5X that, although actually most users are using an average of 18¢ or 19¢ worth which makes it about 4X.

Mr. Hodson stated that the BIA was waiting to see whether the state was going to agree to participate in the \$2400 charge before they made their decision.

Sen. Butrovich asked the number of BIA and State-operated Schools and was told there are 12 state schools and 21 BIA schools.

Sen. Koslosky stated that would be \$28,800 a year for each state school. Mr. Hodson replied that he believed that if state-operated schools had realistic cost comparisons they would find that their actual cost was at least as much as that.

Sen. Lewis asked how much money they would need to get themselves out of the hole. Mr. Hodson stated that \$2400 from state and BIA schools was the only money they would require other than REA or OEO monies. The only future increase in request would be in accordance with inflation. He figured inflation on a 5% basis. / OEO is providing \$800,000 to carry overhead costs and with the remaining REA capital they should be able to get in the red.

Sen. Lewis asked what would happen if they didn't get the raise to \$2400. Mr. Hodson explained that if they didn't get the increased revenue, REA could cut off their money at any time because they only advance it in portions of \$150,000 to \$250,000. This would leave many villages half finished and there could be no increased service. Mr. Hodson added that he didn't believe they were asking a subsidy from the Department of Education because in reality it would cost them at least \$2400 to run their own generators, but with AVEC running them, not only the schools, but the whole villages would have electricity.

Adjournment: Meeting adjourned at 4:20 p.m.

JOINT MEETING
SENATE AND HOUSE FINANCE COMMITTEES
April 5, 1971
1:55 p.m.

Present: Members of the Senate and House Finance Committees; Mr. John Carter, and a number of Directors of the Alaska State Employees' Association.

HB 106 Mr. Hohman called the meeting to order. Mr. Carter said each person
HB 32 present to testify today was a Director of the Alaska State Employees'
HB 159 Association, and would present the problems and opinions of employees throughout the state. The priorities drawn by the Employees' Association were listed as follows: 1) cost of living increase; 2) unemployment insurance as proposed by the Governor; and 3) longevity increase.

SB 131 Another problem is covered in SB 131 relating to shift differentials, important to state employees now that overtime has been cut. Many employees are trying to support a family on about \$400 per month, and the shift differential will help those at the bottom of the pay scale. The Employees' Association is supporting a concept of a minimum salary. Mr. Carter then introduced Monty Lyons from Anchorage, who testified as follows:

Mr. Lyons works for the Department of Highways in Anchorage and has been employed there for the past ten years. Last year the legislature authorized a salary survey, results of which were recently completed. The conclusions are not correct relative to engineering positions of the Highway Department as compared to Civil Service, according to Mr. Lyons, and he presented a comparison of GS ratings with state ranges. A GS 5 and a GS 7 are starting salaries for college graduates and an average of the two ranges results in a figure of \$12,608. The entrance figure for a Highway Engineer Assistant I in the Highway Department is \$10,788, a range 14. The percentage difference is 17%, which does not

include the fact that 25% of the GS salary is tax exempt, so another 5% could be added to the \$12,608 figure. The percentage difference becomes greater the higher the range; for example, an 11% higher salary for GS 7 compared to the state's comparable classification, 8% to 12% higher for GS 9, between 14% - 20% higher salary for a GS 11 as compared to a state range 19, etc. Mr. Lyons said he left civil service ten years ago as a GS 7 and obtained a better paying job with the state at this time. Comparing his salary today with employees at the same level in civil service, their salaries are from \$2,000 to \$4,000 per year higher. If he had not advanced from a GS 7, and merely received step increases, he would be making about the same salary as he is currently earning with the state. Mr. Lyons noted two examples where employees were recruited to work with the state, and they could not accept the positions because their salaries with the Public Works Department of the Anchorage Borough and the City of Anchorage were higher than those offered by the state. In the longevity program, the state has six steps while the federal government has ten. In the Department of Highways at Anchorage, 32 employees are at step F and in another year over 40% will be at step F and remain there indefinitely. The employees will lose incentive and the problem will affect the business of state government. Turn-over is high, as indicated by the fact that they have had seven district engineers in the Highway Department in ten years. Mr. Lyons asked how well a business could function when the top managers leave, and noted the turn-over in the lower echelon was comparable. Last year there was a conference of engineers working for highways throughout the states, and most of the speakers had 20, 30, 40 years' experience, compared to

Alaska where the turn-over is every year and a half. Mr. Lyons said that 99% of the turn-over is caused by insufficient salary and no longevity increase.

Mr. Carter then introduced Ron Kirk, an employee at the Anchorage International Airport. Mr. Kirk said there is a militant attitude prevailing, not so much on his part as on the part of other employees at the airport. The employees in the craft and janitorial positions feel they are second-class citizens with very few rights, and the temporary employees have even less rights. About ten years ago there was a time-and-one-half provision for overtime, which was removed in approximately 1962. Until December 16, 1970, there was no provision for overtime. At the Anchorage International Airport a condition of employment is that employees work a six-day week. From December 16, 1970, until about February 1 overtime was paid, and employees continued to work a six-day week. Then the Division of Aviation announced there would be no more overtime, which reduced employees' salaries from \$100 to \$200 per month. In professional areas, this loss would not be as great as it is in the craft area. The employees are now working 22 days per month instead of 26 days, and it is difficult to attract employees due to the low income. Work continues to pile up, and it was barely possible to do the work on a six-day week. Mr. Kirk said it is "convenient" for the state to work employees at straight time, and now that time-and-one-half is paid there is no more over time allowed. There are very angry people at the airport. The AFL-CIO has made gestures toward collective bargaining and 20% signatures would allow a National Labor Relations Board meeting. They have the number of signatures required right now, and Mr. Kirk personally would like to

quell the union activity. Employees in Anchorage International Airport are on food stamps, and there is no alternative but to seek aid. The bill requests between an 8% to 16% increase, and Mr. Kirk said 12% is the minimal amount a man can get by on. There is a continued increase in the cost-of-living and state salary increases have not matched it. Mr. Kirk concluded his testimony by saying he would prefer not to see the AFL-CIO exist within the airport, but if something is not done the legislators will be talking to the union next year. Mr. Carter added the employees in need of food stamps and aid average about \$400 per month in salaries. Mr. Carter then introduced Ed Cahill of Juneau.

Mr. Cahill stated he represents about 900 state employees in the Juneau area, who have established priorities in their requests. The priorities were listed: 1) cost of living increase; 2) unemployment insurance; and 3) longevity increase. Mr. Cahill said human resources can be compared to natural resources, and when oil and electricity costs go up you pay. The ASEA is seeking a salary increase because the cost-of-living has increased to a point where an employee cannot maintain the same standard of living. The unemployment insurance bill is requested on a reimburseable basis, since it is understood this will be the least cost to the state. The third priority affects a good number of people, and Mr. Cahill repeated the priorities.

Chuck Reed, Department of Public Safety, Anchorage, was the next person to testify. He is chairman of the Anchorage Board, as Mr. Cahill is chairman of the Juneau Board. Mr. Reed said he has many occasions to talk to state employees and is the head of the grievance committee. There has been an increase in grievances. The state employees have never been militant; however, the union is presently a serious threat

in Anchorage. Mr. Reed said the only pay increase which has been adequate was the one received two years ago, since others have not covered the cost of living. Employees must be well qualified, and they support the merit system. The state must offer them something equal to their capabilities or lose employees to better jobs in private industry. Within the troopers, according to Mr. Reed, trained, qualified, experienced men are needed. There is now a record of about two years experience per man, where there should be ten to twelve years experience. New recruits from other states have commented they just can't make it on their present salary. They have been in Alaska a short time and have not been able to adjust to the high cost of living. Last Friday night Mr. Reed was present at a meeting of 85 airport employees in Anchorage, who requested their grievances be brought to the attention of the legislature. It is true that state employees are on food stamps, and some would be eligible for welfare.

Senator Ray asked how the retirement plan was working and Mr. Reed said it was working very well and they are grateful for the retirement system. However, the retirement system was set up to bring in new blood, but now the new employees can't afford the low salaries. Discussion followed on the step system, classification of employees, and SB 61. Senator Palmer said he was not familiar with HB 32 and Mr. Carter explained that after an employee has been with the state for seven years and has reached step F, he would receive an increase, in line with the federal system. George Mechau of Ketchikan noted that Ketchikan employees can be in the F step for years, but will not accept a promotion if it involves a transfer.

John Carter said the reason for bringing employees in from all over the state was to have an impact on the legislators. They have been fighting to catch up on salaries with the cost of living, and if an increase is not granted this year salaries will fall back. Employees will either leave state employment or the union will come in. ASEA has prevented strikes, while the union has distributed circulars saying the employees will receive a salary increase or go on strike. Each person at the meeting represents a large number of state employees and the employees have lowered their goals due to the bad financial situation. Last year the teachers received a substantial increase and the employees feel this year is the state employees turn. Mr. Carter stated this particular need cannot be over-emphasized, and 6% is not a raise - it is a cost-of-living increase. He continued by saying that unemployment insurance is important and throughout the nation the economy is going through a recession. The majority of the members of the ASEA will not benefit directly from this insurance, but the temporary and seasonal employees will benefit. This will aid the bush areas. The shift differential will benefit the low level maintenance workers, and Mr. Carter felt the fact that Alaska is the only state that does not have a shift differential should be noted in the salary survey.

Senator Hensley asked what a 6% salary increase would cost the state and Mr. Carter said about \$5 million. Senator Lewis noted the nation is on a continuous treadmill, with the cost-of-living increasing and salaries increasing, and the state employees must put their efforts toward controlling inflation. Mr. Carter noted the President could not

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control inflation and private industry and the federal government employees continue to receive salary increases. Mr. Carter did not feel that state employees could control inflation alone.

Senator Ray questioned the large increase in the Personal Services account in each department's budget, from 8 to 12%. Mr. Carter answered the increase in the number of employees and the resultant fringe benefits created the increase, plus reclassifications. He added reclassifications had been granted to take care of employees who were under-paid.

Senator Lewis said he has introduced a bill to put employees on a 40-hour work week and added the more work you do, the more income you can expect. Mr. Carter said there would be no objection to additional work if additional income was the result. However, he added, state employees could not be asked to work an additional 2-1/2 hours for the same salary and morale would suffer. If the legislature said additional compensation would go along with the additional hours, there would be no problem. Senator Lewis noted overtime was costing the Department of Health & Welfare alone some \$350,000 and Mr. Carter argued that most departments have now stopped any overtime. Mr. Cahill said the state employees would be willing to work the 40-hour week, in accordance with the federal employees, if they were paid accordingly. However, he added the national trend seems to be away from a longer work-week and Hawaii is now on a 35-hour week. Mr. Cahill said the Juneau employees do not feel this is the solution to the problem. Mr. Mechau from Ketchikan said he has been working for the state for seven years and has never worked just a 37-1/2 hour week. Most employees work overtime without compensation, while others do not. He noted it is a

social problem and AFDC recipients lose money if they accept state employment. He concluded that unless the bills requested by the state employees are passed this year, next year the legislature will face a union. The ASEA is not militant, but the union is.

Helen Flynn, an employee at the Department of Law in Anchorage, testified that legal secretaries are very difficult to recruit, and private firms pay from \$150 to \$200 per month more than the state. Three new secretaries have been employed in the Anchorage office because of the 37-1/2 hour week, allowing employees to beat the traffic rush and enabling working mothers to employ baby-sitters and arrive home quickly. If asked to work 40 hours, these employees will quit.

Mr. Carter concluded with the fact that the ASEA did a very limited study on cost-of-living in Alaska as compared with the states included in the salary survey. He felt that if salaries were compared, cost-of-living should also be compared, and food prices are 35% higher in Juneau than in Seattle. Apartments in Juneau are much higher than in Portland. Mr. Carter felt this should be taken into consideration when salaries are compared with Washington, Oregon and California.

Adjourned: The meeting adjourned at 3:10 p.m.

SENATE FINANCE COMMITTEE

April 6, 1971

1:30 p.m.

Present: All members of the Senate Finance Committee except Senator Ray and Chairman Butrovich. Also present from the Department of Commerce were Messrs. Kenneth Kadow, Commissioner; Bob Butler, Deputy Commissioner; Reuben Hanson, Administrative Assistant; and, Mr. Ron Lind of Budget and Management.

General: Vice-Chairman Lewis called the meeting to order. Senator Palmer moved and asked unanimous consent that the meeting be an executive session. No objection, so ordered. Vice-Chairman Lewis turned the meeting over to Senator Rettig for his budget review of the Department of Commerce. Senator Rettig requested that Mr. Kadow introduce the gentlemen accompanying him.

DEPT. OF COMMERCE

Mr. Hanson distributed material pertinent to the budget review to the committee. Mr. Butler remarked that the Department of Commerce is almost entirely a regulatory type of operation. There were a few comments and some discussion regarding the material Mr. Hanson distributed [see department file]. Senator Palmer brought up the problems with inaccurate fish scales, and felt more checking of these to be necessary. After considerable discussion, he requested that a memo be sent on what the department had done along these lines last year and what their intentions are for the coming season. The committee had no further comments or questions so Senator Rettig thanked the department officials for appearing and dismissed them. Senator Rettig said the Governor's total revised budget figure is \$2,544,300 and Senator Rettig's is \$2,332,600, ^{general fund.} a reduction of \$211,700. He

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gave the breakdown as follows:

Office of
Commissioner

Code 100, Personal Services, reduced by Senator Rettig from \$164,100 to \$157,600--a reduction of \$6,500. He eliminated overtime, reinstated vacancy and turnover and recalculated employee benefits.

Code 200 Code 200, Travel, reduced by Senator Rettig from \$7,600 to \$3,300--a reduction of \$4,300. He eliminated outside travel.

Code 300 Code 300, Contractual Services, reduced by Senator Rettig from \$26,800 to \$18,500--a reduction of \$8,300. Specific cuts were Communications, reduced to the 1971 level, Rents and Utilities reduced to maintenance level, and he eliminated Equipment and Rental.

Senator Palmer questioned the \$6,300 elimination in equipment which was deleted, particularly the \$2,600 Xerox item and Senator Rettig admitted that he erroneously deleted that.

Code 400 Code 400, Commodities, reduced by Senator Rettig from \$4,000 to \$3,000--a reduction of \$1,000.

Total This is a total reduction of \$20,100 for Office of the Commissioner. Senator Rettig explained that for most of the rest of the budget his cuts generally are in Personal Services, elimination of overtime, reinstatement of vacancy and turnover, and recalculation of employee benefits, and the elimination of Outside Travel. [His recommended figures have been distributed to the committee, copy in department file.]

Transportation Comm.

Senator Rettig next went to the Transportation Commission. He reduced this from \$523,300 to \$462,200 for a total reduction of \$61,100.

Code 100 Code 100, Personal Services, reduced by Senator Rettig from \$367,800 to \$341,200--a reduction of \$26,600. There was a \$10,000

overtime request which the Governor's budget review had reduced to \$8,000 and he eliminated it.

Code 200 Code 200, Travel, reduced by Senator Rettig from \$64,000 to \$54,100--a reduction of \$9,900. He disallowed outside travel.

Code 300 Code 300, Contractual Services, reduced by Senator Rettig from \$75,700 to \$52,200--a reduction of \$23,500.

Code 400 Code 400, Commodities, reduced by Senator Rettig from \$8,100 to \$7,000--a reduction of \$1,100.

Code 500 Code 500, Equipment--no change.

Code 900 Code 900, Inter-Agency Charges--no change.

Total This is a total reduction of \$61,100 for the Transportation Commission.

Senator Lewis asked what the department would do if they were cut to last year's level and Senator Rettig replied that he thought it would hurt the department, if the salary increase and the addition of Public Service to the budget is considered. Senator Rettig's recommendation is actually a reduction in the budget. The budget review being complete, Senator Palmer brought up the question of testimony heard earlier in the week regarding the question of the state salary schedule, and those persons with take-home pay of less than \$400 per month. There was a brief discussion on this. It was noted that there is only one employee in the lowest pay group, and there are 240 state employees at the next level, which is \$450 a month, gross income.

Adjournment: The meeting was adjourned at 3:00 p.m.

SENATE FINANCE COMMITTEE

April 7, 1971

1:30 p.m.

Present: All members of the committee except Sen. Butrovich and Sen. Ray. Also present from the Department of Revenue were Eric E. Wohlforth, Commissioner; Robert D. Stevenson, Deputy-Commissioner; Philip A. Wall, Director of Administrative Services; Frederick P. Boetsch, Director of Revenue Audit. Mr. Charney and Mr. Guthrie from Budget and Management were present.

DEPARTMENT
OF REVENUE

In the absence of Senator Butrovich, Vice-Chairman Lewis assumed the chair and called the meeting to order. Senator Rettig moved and asked unanimous consent that this be an executive session. No objection, so ordered. Senator Lewis turned the meeting over to Senator Rettig for review of the Department of Revenue's budget. Senator Rettig asked Commissioner Wohlforth to give a general review of the Department, and stated that his main areas of interest were: 1) Division of Treasury, 2) Automobile Licensing, and, 3) Additional Field Agents. [Mr. Stevenson passed out a cumulative summary of revenues collected 7/1/70 through 3/31/71.] Mr. Wohlforth began speaking about the Division of Treasury saying that they have assumed increased functions with the advent of the \$900 million and their policy on it is not firmly formulated. They have not decided on one program in the division which they can say they will follow for the next several years. They are in need of expertise, particularly for the investment of the \$900 million. However, they can't formulate policies until they can see what long-term revenue projections come to. In addition, he said that there were indications from this legislature that the State may be involving itself in loan programs in a greater volume than at

present, with the introduction of interest rate. The Division of Treasury will need Loan Officers to carry out this function. There are also other bills in progress which may make for other direct state programs. They are trying to formulate a structure in the Treasury Division which will be flexible and will accommodate the types of directions which the Legislature leaves them at the end of the session. He said that a reduction of the Division's appropriation to too low a level would freeze the State into the situation they are in now with only one investment advisory, and they have been considering the possibility of more than one investment manager. They have a desire to build up expertise in relations with the bank system so that they can evaluate their investments in banks and maximize benefits to the State of Alaska. They need sufficient funds in the Treasury Division, he stated, to allow them to do an intelligent job on banking systems, loan programs, and investment of the \$900 million.

[Sen. Ray came in.]

Senator Rettig stated that they had requested and the GBRC had approved an increase of \$150,000 above last year's maintenance level for the Treasury Division. Mr. Wohlforth said that \$400,000 (in Code 300) was the total amount requested for the handling of the money, a reduction from last year's \$900,000, 1/10 of 1% of the entire fund. The original \$250,000 figure only provides for one outside investment advisor and no option for more than one should the decision be made for multiple fund management. Outside help is called in from time to time on a special basis. The \$400,000 figure gives the flexibility they require, he said. Two investment officers presently part of the investment function are to be funded out of this. These positions were created by

Executive Order 20 after the last session and are not considered part of the maintenance level budget. These two men are operating the State Investment Advisory Committee and are the individuals who review mortgage loans and they will be more heavily burdened as future mortgage and development type loans develop after this session.

Senator Rettig asked him to describe the present status of the relationship with Blyth and Co., and Bank of America. The Commissioner answered that Blyth and Co., have been terminated as of May 1, 1971. He said that this was not a criticism of the firm. The rationale behind the termination is that their function was essentially a reporting system and they didn't give the additional input that Bank of America is making. They were paying them \$100,000 a year and not getting the true service value because they are not a government bond house. Blyth and Co., was helpful initially in preparing revenue estimates and that has been their primary function. They never put their reporting function on computer so the monthly reports were 3 or 4 weeks after the end of the month. Bank of America is computerizing reports in terms of existing investment at no additional cost to the State and will provide the same information at no extra charge. They are in the process of formulating a contract with Bank of America which will be more satisfactory with the State and will define how much money they make in each year. The contract is not formalized because no final decision has been made on depositing the fund with another banking house. The new contract will mean less in dollar figures will be paid out. Under the present Government Dealer's Operation they are entitled to 1/32 of 1% of markup for dealer functions.

There are many arguments pro and con for more than one outside fund manager. Right now they have one four-month contractual investment manager whose contract expires May 11. In order to operate effectively they are going to need one or more contractual investment managers. One advantage seen in dividing it up is that it would put them in the position of obtaining dealer government bond operations that are not now held. However, they may be bidding against self for the state. Another argument is that there is no way to evaluate how one bank does if there is only one in the picture. Advisory service is a difficult thing because stock houses are so closely related to banking they cannot give a totally objective rating. Sen. Palmer asked if another investment officer would be needed and Mr. Wohlforth answered, yes. He reiterated that the two investment officers created by Executive Order 20 were chopped out because they were not in last year's budget and thus have to be funded under contractual services. However, they are in the budget now. Sen. Palmer commented that it appears they would be foolish not to provide the division with them.

Sen. Rettig asked if the Commissioner was comfortable with the figure Bank of America has provided as their gross profit. Mr. Wohlforth stated that he was comfortable with the gross figure because there was confirmation of every transaction. However, he wasn't comfortable with the net figure and he wasn't sure that they were either because they were never required to account for it.

With Blyth and Co., out, Sen. Rettig asked if they planned to replace them with someone else. Mr. Wall answered, yes, depending on the decision of what happens with the fund, someone will

replace them or there will be another fund manager possibly on a different basis than Bank of America, and they may have an additional operating fund and investment advisor as well.

Sen. Palmer asked if the major input as far as the decision on what investment of purchase or sell was Bank of America and was told that it was.

Sen. Rettig asked about the relationship with Solomon Bros. and was told that they provide a free one-hour long distance 'phone call every Monday morning at 8:00 a.m. He added that Bank of America knows of this free service.

Sen. Lewis asked how they would have Bank of America share in profits rather than dealer profit. He was told that they would probably have some percentage increase over some index which would be a composite of various government bond rates over a period of time.

Sen. Rettig stated that in effect they share in profits now.

Mr. Wall said that was true to the extent that the Bank of America has securities they can sell to the State that are not in their portfolio. They have a customer and know who he is. The state has to be sure it is buying at the best price available.

The Commissioner then turned the floor over to Mr. Wall who spoke on the second item Sen. Rettig had stressed, auto licenses. Mr. Wall said that the largest area of increase has been the reflectorized plate concept passed into law last Session, which would be \$300,000 over last year.

Mr. Wall stated that the Governor's allowance does not allow a program increase in the area of fully reflectorized plates. He referred to page 134 under Code 300, an item of \$671,000 through the Governor's adjusted budget which is down from \$731,000 that

they requested. Sen. Rettig stated that \$334,800 was the Governor's adjusted figure and Mr. Wall said that was the change that deletes the fully reflectorized license plate.

Sen. Rettig asked about the effect of license tabs and Mr. Wall said it would be a savings.

Sen. Rettig asked if it was his recommendation that they go again to tabs. Mr. Wall answered yes, that it would be a savings of \$100,000.

Mr. Betch spoke next on the subject of field agents, Sen. Rettig's third area of interest. He stated that they were talking about the Department of Revenue's budget and should realize that they can't just look at the expenditures, but must look at the revenue as well. Each dollar they spend on audit activities and balances are additional monies to the treasury. Presently, they are generating \$2.90 for each dollar they are spending on their program.

He told of some comparisons he had made on other states with field audit programs. One was California with a 3-1 dollar ratio.

California has had the program for a number of years. The other comparison was done on Hawaii's 1965 program because that is the closest in numbers of people to Alaska and probably the state in which Alaska would be if they started the program this year.

Their ratio is 10-1. He anticipated maximum and minimum returns, with three field auditors at a cost of \$75,000. On the low side he would expect about \$218,000, a net increase of \$143,000. On the high side it could go up to \$700,000. Their original request was for six field auditors, but they reduced that to three and hope they could still be effective. Mr. Stevenson said that they have seven desk revenue agents who took in \$787,000 last year. He

felt it would be reasonable to him that if three field auditors were working they were going to bring in.

Someone pointed out that there would be more voluntary compliance to the laws if field auditors were around and made examples of some of their first violations.

[The Department of Revenue people left.]

Sen. Rettig stated he was nervous about the nature of the use of the \$400,000 for contractual services. He said he wanted an opportunity to go into that more thoroughly and get it better defined, and see if they couldn't work out an alternative arrangement so that there is still flexibility.

Recess: The meeting recessed at 2:45 p.m.

After Recess
3:40 p.m.

Present: All members of the Senate Finance Committee except Chairman Butrovich and Senator Ray. Also present were the following: Mrs. Irene Ryan, Commissioner of Economic Development; Mr. John Werner, Deputy Commissioner; and Mr. Paul Shaft, Administrative Assistant, all of the Department of Economic Development.

General: The meeting was opened by Vice-Chairman Lewis. He turned the meeting over to Senator Rettig to present the budget review of the Department of Economic Development. Senator Rettig asked Mrs. Ryan to introduce the people accompanying her and to make any comments she had in regard to the budget.

ECONOMIC
DEVELOPMENT

Mrs. Ryan stated that the original Governor's request was prepared before she had come into the department. It was prepared on the basis of funding positions which had become vacant and had been vacant for several months. It included funding for programs for both travel and industrial development but did not include two amounts which she would like to see stressed. First, there was not included a \$50,000 figure for the Travel Division for federal matching funds which would be available this summer for development of the foreign travel market. This is a 50-50 matching arrangement. The other item was the grant for funds in the Small Business Development Corporation. There is only \$47,500 in the Governor's budget and the use that the state could make of this program, particularly in rural areas where financial capabilities are not available to small business and industry makes it imperative that this fund should be substantially increased during the coming year, Mrs. Ryan felt. She further stated that she felt

the department could very well complete the work for the coming year with the Governor's figures as first submitted. She noted that with the second revision the department had to submit to the same sort of review that all other departments did. They did find, however, that they were able to live within the Governor's figure with the adjustments that she first mentioned.

Mr. Paul Shaft distributed pertinent budget information to the committee. He stated they were very conservative in requesting that one-time expenses be removed from the maintenance level. They reduced it by \$133,000. They established a maintenance level and included with it the additions that they felt necessary to maintain a service. The total of the abstracted final was \$1,651,900, including the new figures, however, it did not expand SBDC. He further stated if they were to have inserted in the maintenance level those figures which were one-time expenses they would actually have expanded the budget \$127,200--\$40,000 to the total facilities--\$40,000 for a film--\$15,000 to Expo '70, etc. Those funds were extracted from the maintenance level.

Senator Palmer asked what the \$37,500 agriculture assistant program is and Mr. Shaft replied he doesn't know what the original intent of it was but it is to assist in the agriculture grants in and around Alaska. Mrs. Ryan noted that this still remains as an item in last year's budget--it's not washed out. She pointed out that some \$7,000 of that money was a study on the potato process facility in Palmer. The "housekeeping" is being done in the Department of Agriculture but Economic Development cooperates with them. Senator Lewis asked for the name of the people doing the study of potatoes and also the names of the people studying peas. Senator Palmer asked for copies of the results of these studies for committee

members.

Senator Rettig asked about Industrial Development Division--what the goals and objectives are, etc.

Mrs. Ryan stated that the division as set up calls for the establishment of two areas of activity--one statistical and the other developmental. In the statistical end, one of the prime considerations which is becoming more critical everyday, is the establishment of a model for the State of Alaska so that we can get the statistics that can be used for any new industry that comes in, i.e., what will be the effect on other business, "in house" projections, etc. It involves an analysis of the peculiarities of the economy of the State of Alaska primarily because it has been dependent on the federal government. Another is the machinery to accumulate the data and make it routine so that one can go to the data machine and get an answer. This is an ongoing program and they are hoping to be able to establish the model this year. Next year they hope to come to the Legislature and show the cost to get this process underway on a state level. This program was started two years ago but no model has been established thus far, but there are studies.

Senator Lewis asked how much money has been spent so far and Mrs. Ryan replied that she thought not over \$5,000 had been spent this year counting contracts and time in the office. She did not know how much has been spent in past years. Senator Lewis then asked how much more was going to be spent and Mrs. Ryan answered approximately \$10,000 in outside contractual services and the time of one of her accountants.

Mrs. Ryan said the other effort has been in advertising which is

closely linked with the tourist program in getting tourists to come up and then to be able to take care of the tourists after they get here. She stated that since they have gotten involved in environmental battles that guidelines must be established before it will be proper to invite industry to come into the state. They should be able to assure them that they won't be slapped with a lawsuit and with rules and regulations that are made after they get here, she said. There is going to have to be a shake-down to decide where the jurisdiction is going to lie in judging just where private industry can operate. She feels they can't invite industry until this happens. She said also that the department should concentrate in Alaska in housing development. They can help in this area, particularly in developing rural areas and by using the specialists that are available to local developments in Alaska.

Senator Lewis asked what kind of rural development Mrs. Ryan was talking about and she replied by giving the example in Barrow of the terminal facility.

Senator Lewis asked if the department had anything in mining or manufacturing and Mrs. Ryan replied that they have the tax incentive act under which applications are being kept active and correspondence kept up informing the department if the companies are still interested, etc.

Senator Palmer noted that he saw in the chart the position of development specialist in fisheries and wanted to know about it. Mrs. Ryan said it is as yet an unfilled position and two weeks ago there were no applications so they lowered the standards somewhat and there are now three applicants. Senator Palmer asked what the objectives of this specialist would be and Mrs. Ryan

replied that he is to increase fisheries resources economically to the people of Alaska which would mean as you develop the various new fishery products or find markets for them more of the dollar is retained in Alaska.

Senator Rettig said he had the feeling that Mrs. Ryan would be uncomfortable under present conditions to conduct any invitations or invite new industry in until these environmental areas are defined. Mrs. Ryan stated she knows there are individuals waiting--^a and industries waiting to see if there will be a road going north and what our environmental laws are going to be before they make a move to come to Alaska.

Senator Rettig stated that the committee had been urged to increase the advertising budget by \$100,000 and the addition of a research director. He wondered if Mrs. Ryan had any suggestions on this and she replied that the budget as presented in this area would be very helpful and she felt they could tell whether the advertising dollar is being spent effectively with the help of the specialist. They could compare with other areas, etc.

She stated that it would be needed in the very near future, if not immediately as it is definitely needed.

Senator Rettig asked that they go back to Industrial Development, Page 64, in the Budget Request book as he questioned the program for outside travel and its designation for industrial promotion that includes proposed trips to many different areas in the U.S. and a trip to Japan. He noted it was for specialists in different areas and felt this was stretching a bit in view of the fact that we're trying to keep this year's budget as low as possible. Mr. Shaft said there are orientation meetings for national memberships, etc., and Alaska's presence gives Alaska the opportunity

to catch up with what is going on down below and our side of the picture can be presented. Senator Rettig stated if we can't yet invite industry up then why is all this travel so important-- couldn't this be cut down a little. Mrs. Ryan stated that most of the trips are very necessary. Most of the meetings are technical sessions so they can keep up on what the latest processes are, etc. Senator Rettig pointed out the duplications on positions and trips by Economic Development and Resources such as mining specialists, geologists, etc., and wondered how this overlap is justified. Mrs. Ryan answered that Resources is more interested in inventorying, but that her department and Resources' specialists do work very closely together. There was further discussion on duplication of Economic Development functions with other departments, and Mrs. Ryan was unable to satisfy the members as to unique functions of her department.

Adjournment: The meeting was adjourned at 4:40 p.m.

SENATE FINANCE COMMITTEE
April 8, 1971
1:40 p.m.

Present: All members of the Committee except Sen. Butrovich. Also present from the Division of Budget and Management were Mr. Charney and Mr. Lind.

ECONOMIC
DEVELOPMENT

Chairman Lewis called the meeting to order. Sen. Ray moved and asked unanimous consent that they go into executive session. No objection, so ordered. Sen. Lewis turned the meeting over to Sen. Rettig, who stated that the Department of Economic Development was the toughest problem he had come across because he can't justify the Department. He cut down the Department's request from \$1,651,000 to \$1,452,000. The only part of the Department which he can justify is the Travel Division and the small business development corporation. Everything else overlaps with other departments.

There was some discussion on the parallels and overlaps with other departments and it came out that most of the Committee felt that SBOA could be transferred to the Dept. of Commerce, the Division of Tourism to the Governor's Office, and the remaining functions not covered in other departments to Natural Resources.

Sen. Ray asked if anyone had approached the Governor with this suggestion and no one had.

Sen. Rettig felt that this should be done and Sen. Lewis assigned Sen. Ray the job of arranging a meeting with the Governor.

SB 98 Sen. Lewis moved and asked unanimous consent that SENATE BILL NO. 98 (Plumbing Code) be brought up for discussion. No objection, so ordered. Sen. Lewis explained that he had rewritten this bill as a Finance Committee Substitute to correct some of the items that

had caused concern with Sen. Hensley, who the bill is assigned to. The committee substitute makes special provisions for the bush and changes the original bill which said that the Department shall make inspections to may. He said that this is a minimum code, which allows plastic pipe, but that local codes with stricter provisions would take precedence over this minimum code. Senator Hensley had some reservations about the code, and said that the Department of Health and Welfare feels that they should administer the plumbing code with more of an eye to health, and did not feel that a code drawn up by plumbing contractors was as good an idea as one drawn up by health officials. He recommended that the bill be referred to the Health Welfare and Education Committee. Senator Lewis objected. Senator Palmer requested that the bill be held over one day to give the committee members a chance to go over the committee substitute which Sen. Lewis had drawn up.

Recess: Meeting recessed at 2:00 p.m.

SENATE FINANCE COMMITTEE

April 8, 1971

2:10 p.m.

Present: All members of the Senate Finance Committee except Chairman Butrovich. Also present were the following: Mr. Ron Lind and Mr. Myrton Charney of Budget and Management; Mrs. Hazel Mauger, Mr. Warren Wiley, Mr. Robert Pavitt and Mr. Jim Messick of the Governor's Office.

General: Vice-Chairman Lewis opened the meeting. Senator Rettig moved and asked unanimous consent that the meeting be an executive session. No objection, so ordered.

OFFICE OF GOVERNOR Vice-Chairman Lewis turned the meeting over to Senator Ray for his budget review of the Office of Governor. Senator Ray requested that the personnel from the Governor's Office identify themselves. He then distributed a two-page letter addressed to Chairman John Butrovich dated April 2, 1971, to the committee, which showed the figures reconciling the original appropriation bill to the analysis of revised budget figures and additional adjustments to be made in the request for the Office of the Governor. [See department file.] Senator Ray asked Mr. Wiley where they were going to add Youth Involvement in Government and the answer was they felt it should be added as a separate program. He then asked how they would handle the Center for Administration of Justice if SB 103 passes and Mr. Wiley was unsure. Mr. Charney said he felt Attorney General Havelock, who came up with the estimated figures, should be asked.

Senator Ray went through the remainder of the letter and asked about the Data Processing Coordinator they are deleting and Mr. Wiley replied it is a position that is not as yet filled.

Senator Ray noted there is a request to add a Nome office. He also noted there is a request to change the Contingency Fund to \$150,000. Mr. Wiley explained that this is for anything that might come up like the pipeline permit, Indian land claims, etc. Senator Ray wanted to know if it wouldn't be advisable to make an appropriation later rather than a contingency fund increase and Mr. Wiley replied the Governor is trying to anticipate things that might happen that weren't budgeted for and this is the reason for the increase. Senator Ray stated he knows the Governor doesn't normally spend much of his Contingency Fund but he felt that the committee should be informed of what the money is for. Senator Palmer asked if the amount was \$100,000 last year and the reply was yes. Senator Lewis asked if the contingency fund was spent last year and Mr. Wiley replied there is quite a bit left from last year. Senator Lewis wanted to know what it was spent for and Mr. Wylie mentioned a couple of items, i.e., fire fighting, National Guard, drug abuse program, per diem for travel, etc. Senator Ray asked if they were anticipating any requirements for the new commission that is in the process of being put together. Mr. Wiley replied that he doesn't know what the situation is.

Senator Ray noted that the Select Impact Group will also have to be funded.

Mr. Wiley said the Public Defender came down last week and they agreed to increase his budget by \$76,000. It had been cut back to the maintenance level and he felt he couldn't begin to operate on the maintenance level. It hadn't really been funded right in the first place so the budget committee changed it to \$76,000. Mr. Charney added that the Governor had given support to the

change. Senator Lewis remarked that \$76,000 should be added to the request in the letter.

Senator Ray began questioning Mr. Pavitt on Planning and Research programs. However, there seemed to be several budget and program changes which the committee had not been made aware of and so Senator Ray decided to postpone the hearing until such time as the committee had all the information necessary.

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

After Recess
3:15 p.m.

ECONOMIC
DEVELOPMENT

After Recess, the committee went downstairs to the Governor's Office to talk with him about the idea of dissolving the Department of Economic Development. After presenting the committee's views on the department, the fact that most of its functions seem to be duplications of other department functions, that those that were not could easily be absorbed into other departments, Sen. Rettig asked Governor Egan for his reaction. Governor Egan felt that actually the department did have unique functions, though its positions would closely relate to those in other departments, and he said that he would want to have this year to examine the department and its purpose before taking so large a step as to dissolve the department. However, he said that he could understand eliminating much of the travel in the various divisions, and would expect the committee to act as they felt appropriate in making such cuts.

Adjourned: Meeting adjourned at 3:45.

SENATE FINANCE COMMITTEE

April 9, 1971

9:00 a.m.

Present: All members.

SB 98 Sen. Butrovich called the meeting to order for the purpose of a bill session. Senator Lewis moved and asked unanimous consent that SENATE BILL NO. 98 (plumbing code) be brought up for consideration. No objection, so ordered. After discussion, Sen. Lewis moved and asked unanimous consent that SENATE BILL NO. 98 be replaced with CSSB and reported out of committee with a unanimous "do pass" recommendation, along with a letter of intent to the Department of Labor that there shall be no additional funds appropriated for administration of the code, but that it shall be administered with their present staff and funds. Objection was heard and on vote, the bill was reported out of committee with the letter of intent, with a majority report of "do pass", Sen. Ray voting No recommendation and Sen. Hensley recommending that it be referred to the HWE Committee and State Affairs Committee.

Recess: Meeting recessed at 9:50 a.m.

After Recess

Status
of Bills

SB 3 Chairman Butrovich called the meeting back to order at 11:15 for the purpose of determining the status of all bills in committee. (Legis. budget and audit committee) by Palmer--returned to file.
SB 7 (Approp. for Capital Improvements Projects) by Legis. Audit--Sen. Lewis is researching this bill.
SB 9 (Approp. to school site acquisition fund) by Thomas--
SB 14 (Supp. income for senior citizens) by Thomas & Josephson--Sen. Butrovich said the committee would be hearing testimony on this next week.

- 27 (Approp. Dept. of Public Works] by Merdes, Miller et al--returned to file.
- SB 30 (Approp. Dept. of Natural Resources) by Josephson--Sen. Lewis has been researching this bill. It was returned to the file.
- SB 42 (Loan & grants for hospital & health facilities) by Thomas--Sen. Lewis has been researching this bill. It was returned to the file.
- SB 44 (Flooding or erosion protection grants) by Merdes, Miller, Young--This bill was assigned to Sen. Ray.
- SB 45 (Approp., H & W) by Young --Sen. Hensley said that he has received no information nor has he been contacted by the sponsor of the bill, so the bill is being returned to the file.
- SB 56 (Medical assistance for needy) by Josephson--This was assigned to Sens. Hensley and Lewis. Sen. Josephson will come in next week to testify on this.
- SB 72 (Approp. Dept. of Highways) by Ziegler--Sen. Lewis is researching this.
- SB 75 (Creating Dept. of Environmental Conservation) by Governor--This was assigned to Sen. Ray.
- SB 81 (Service credit of certain employees) by Ziegler, Croft & Merdes--Sen. Rettig said that the sponsors have not contacted him on this.
- SB 85 (Approp. Education, transportation expenses of students) by Governor--Sen. Lewis said that there has been no pressure on this.
- SB 91 (Approp. Education, library materials) by Hensley--Sen. Hensley said that he doesn't think this is the year to pass this.
- SB 102 (Revenue sharing, trans. facilities) by Croft--assigned to Sen. Rettig.
- SB 110 (Approp., Education, scholarship grants) by Croft--Sen. Hensley was assigned this bill.
- 129 (State employees compensation) by Ray, Croft, Miller. This is assigned to Sen. Butrovich. Sen. Ray said that if the Governor's cost of living allowance is approved, this bill could be added on to that.

SB 131 (State pay raise) by Miller--assigned to Sen. Koslosky.

SB 142 (Approp. Public Works - Juneau Court Building).--Sen. Ray said they will come out with a bonding proposal next year, so wanted this held over until that time.

SB 170 (Oil tax on exported oil) by Butrovich--returned to file.

SB 179 (Trail staking and shelter construction) by Hensley--assigned to Sen. Koslosky.

SB 182 (Approp. to Harmon Helmericks) by Finance--Sen. Butrovich moved and asked unanimous consent that this be reported out with a "do pass" recommendation. No objection, so ordered.

SB 184 (Approp. City of Kenai) by Palmer--Sen. Rettig is researching this.

SB 206 (Duplicate licenses) by Governor--Assigned to Ray.

SB 211 (Longevity bonus) by Butrovich and Ray--Sponsors will report to the committee at a later date.

SCR 15 (Security personnel at airports) by Young--Sen. Ray said this has been taken care of. The legislation is not necessary.

SCR 28 (Juror's fees) by Ray and Groh--assigned to Palmer. Sen. Ray asked that the bill be amended by making \$15 be the daily compensation and \$7.50 for those not actually serving.

SCR 37 (Ketchikan court building) by Ziegler--assigned to Sen. Ray and Sen. Hensley.

HB 10 (Remuneration election judges) by Orbeck--assigned to Sen. Palmer.

HB 59 (Anchorage airport buses) by Governor--Sen. Butrovich is researching this.

CSHB 61 (Approp. Health and Welfare) by Governor--Sen. Lewis is working on this.

HB 70 (Public Works, capital construction) by Governor--assigned Sen. Butrovich and Ray.

HB 115 (Excise tax credit, alcoholic beverages) by Fischer, Holm, et al.--
assigned to Sen. Palmer and Sen. Hensley.

HB 244 (Sale of Wickersham) Sen. Butrovich moved and asked unanimous
consent that HB 244 be brought up for consideration. No objection,
so ordered. He moved that the bill be reported out of committee
with a "do pass" recommendation. Motion passed, Sen. Rettig not
concurring voted "no recommendation".

HB 383 (Approp. Legislative Affairs) by Rules--assigned to Sen. Butrovich.

HCR 13 (Whittier Tunnel) by McVeigh and Fischer--assigned to Sen. Lewis.

Recess: Meeting recessed at 12:05 p.m.

SENATE FINANCE COMMITTEE

April 9, 1971

2:10 p.m.

Present: All members of the committee except Sen. Rettig and Sen. Lewis. Also present were Commissioner Easley and Mr. Tracy Kaldor of the Department of Public Works, and Mr. Charney and Mr. Lind of the Division of Budget and Management.

General: Chairman Butrovich called the meeting to order and turned it over to Sen. Ray for his review of the Department of Public Works.

DEPT. OF
PUBLIC WORKS

Sen. Ray explained that since the department sent over their original adjustments in accordance with the Governor's revised cuts, they have received additional information leading them to come in with some further adjustments. Information on these revisions was passed out to the committee [see department file].

Mr. Easley explained that due to additional information on airport maintenance, i.e., additional fields to be taken over, they are requesting that \$158,800 be added back in for airport maintenance, and a total of \$318,000 be replaced in airport operations. However, Commissioner Easley said they have reduced International Airports by another \$1,000,000; \$850,000 in Anchorage International Airports and \$150,000 in Fairbanks International Airport.

Sen. Ray asked what the revised general fund budget request was, and Commissioner Easley answered that it is now \$21,453,600 but that their revised request is \$19,827,700, a decrease of \$1,625,900. However, \$200,000 worth of Inter-Agency Receipts is added because of an error in Division of Buildings budget by the Budget Review Committee, which makes for a decrease of only \$1,425,900 which

makes the actual revised general fund budget \$20,027,700.

Sen. Hensley questioned the cut of \$576,800 more for the Division of Aviation. Mr. Easley stated that \$717,000 was the original cut, the Department is requesting that \$318,000 of that be replaced. He added that the cut for Airport Operations of \$576,800 was included in the \$717,000--they are first suggesting a further cut.

Sen. Butrovich brought up the question of the rentals from the Highways Working Capital Fund. Sen. Ray said that when he had suggested eliminating this arrangement, the department had responded enthusiastically. There was brief discussion on the exorbitant equipment rental cost the department is having to pay and Commissioner Easley said that he felt the department would be better off buying their own equipment as needed.

Sen. Butrovich asked about the buses. He stated that last year they had approved the request for three buses for the international airports which were not purchased. This year there is a request (HB 59) for two. The justification last year was EXPO 70 but he wondered what it is this year. He was aware that they were special German buses designed to unload airplanes. Mr. Easley explained that they were designed to fit the opening of the door of the aircraft so that people can come directly onto the bus upon landing. The amount of time to acquire one of these buses is six to eight months so assuming the matter is approved, they are talking about use in 1972 rather than 1971. The second point has to do with the necessity for them. Last year they were having to park aircraft in central locations which meant a walk of 1/2 to 1/4 mile across the runway. However, he stated that

HB 59

he would not list this as a critical item for this year.

Sen. Koslosky asked if the buses would only be used in the summer-time or all year round. He was told they would be used all year.

Sen. Hensley asked if the buses were similar to the ones used at Bellas and was told they are smaller, but on the same principle.

Marine Trans-
portation

Code 300

Sen. Ray referred them to page 590, Division of Marine Transportation which is Code 340, Repairs, Services and Alterations. He asked if it is necessary to make these repairs and replacements. Mr. Easley stated that they were in the process now of going through a total new design of dock facilities. The ones they have now are made of timber. The one at Skagway is literally falling apart. The docks are all going to have to go to a more permanent design which will be an over \$37 million program.

Sen. Ray felt that they should be able to rely on one-half that amount due to the financial difficulties the state is in, and Mr. Easley stated that if they could, they would.

Sen. Ray referred to page 591, Life Craft Maintenance where it says 2835 passengers x \$8. He wondered what that meant. Mr. Easley stated that they have to go through the life craft compartments and go over everything and replace some things at a cost of \$8 per person provided for. Sen. Palmer asked if it was a Coast Guard regulation, which it was, every year all of the barrels have to be opened.

Sen. Ray asked about Jointer Repairs and the Commissioner didn't know what that meant.

Sen. Ray asked about the \$30,000 figure for repair of 4 vessel hulls. It was the same figure as last year and he wondered if there was validation to show that that was expended. Mr. Kaldor stated that they go through all hulls completely and that the sandsweep and

painting of hulls below guards is part of the repairs to engines. This is only done every three years.

Sen. Butrovich asked if this was going to have to be done to the Wickersham and was told yes. Mr. Easley said that the contemplated sale of the Wickersham is to be after the replacement vessel is in service which will be approximately 2 - 2-1/2 years. Sen. Palmer asked about the temporary waiver of the Jones Act. Mr. Easley stated that the Congress House Land Waters and Vessels Committee Chairman had indicated that he would support the waiver at such a time that the State awarded the replacement vessel contract. On the Senate side Sen. Magnuson stated he would support the waiver if the Coast Guard and the Maritime Administration would approve it. Mr. Easley stated he would have full information on this by the first of May, and unless something unusual happens the state will get the temporary waiver.

[Sen. Groh came in.]

Sen. Ray referred to page 613 under S.E. Stewards. He said he had figured it out and found that the ferry system is losing money on the snack bars. He thought that if they were losing money, maybe it would be better to wipe it out. Sen. Palmer asked if tourist commodities were included in this and they weren't. Sen. Ray stated that 35% of the bar income was said to go for liquor, but that this was already charged as supplies someplace else.

Mr. Easley stated that the whole operation has not been a tight one in the past. This was an understatement, he said, but added that it was getting a lot tighter.

Sen. Ray commented that it was of interest to this committee that dollar values are not being depreciated.

He then went to page 625 where it charges for bar supplies. He felt this was an area for conference, as it was being charged for twice. Sen. Palmer asked how the operation was being tightened and Mr. Easley explained some of the things that have been done so far. He has cancelled passes except those necessary. He knocked off passes which other/^{departments} had been given. The Wickersham was now up for sale as it has been a problem for many years. He has knocked out a great deal of overtime and is generally tightening up the system.

Division of
Buildings

Sen. Hensley changed the focus of attention to the Division of Buildings by asking about a couple of projects which had been approved by voters on bond. He especially was concerned about a mixup in Nome. \$1.8 million had been appropriated for a state office building and a highway complex on the same line. It was unclear which would be funded because there was only enough money for one.

Mr. Easley stated he had reviewed the problem with Commissioner Campbell of the Department of Highways and he had indicated that the revenue requirements for the department do not require a Highway Building. He said that they were seeking legislative intent but that it was their determination that the state office building was the more pertinent of the two.

Sen. Hensley asked him if he agreed with Commissioner Campbell that construction couldn't be started this year. Mr. Easley felt that construction could still be started this year although it could not be completed. He said they were talking about a building of 25 sq. ft. Sen. Butrovich asked about Code 938 on page 515 which was janitorial service performed on an overtime basis. He wondered why. Mr. Easley felt he could safely say that this

wouldn't continue to be done on an overtime basis as he was cutting down on all overtime.

Sen. Butrovich asked about the increase in transceiver equipment on page 511, but Mr. Kaldor replied that it had actually been cut \$200,000.

Sen. Butrovich referred to page 505 where twenty replacement transceivers were requested and commented that that is a big request. Mr. Easley saw that this would increase the range on bush phones.

[Sen. Groh left.]

Maintenance

Sen. Butrovich asked about the twenty BIA schools to be transferred to the state system this year. This is shown on page 412 and is under the Division of Maintenance. Sen. Hensley explained that twenty schools had been budgeted for but that both Miller's and Egan's Budget Review Committees had cut it out and so there were not going to be any transfers this year, since no funds were provided in the Dept. of Education budget. Mr. Easley was not aware of this as he was going on information provided by the Dept. of Education.

Sen. Butrovich stated that the difference in dollars would have to be considered if the schools were not transferred.

Mr. Charney said it was funded as Inter-Agency receipts and thus the figures have to be coordinated--it is not a general fund figure. Dept. of Education is the department which will show the cut.

Sen. Ray referred to page 437 at the top where it says "Additional school facilities and hot lunch program." He said this had to do with communications, service to schools. This would be an area that could be cut.

Sen. Hensley asked about the maintenance the Division of Buildings

does for the Department of Education and asked if the Department of Public Works preferred it that way. Mr. Easley said they were glad to do it for them, but either way would be fine.

Sen. Butrovich wanted to know if they had taken more space in the Simpson Building or if the rent had gone up. Mr. Kaldor said that they had rented an additional storage room. He added that the renewal of the lease on that building would come up at the end of this month.

[The department people left.]

Recess: Sen. Butrovich called a recess at 3:15 p.m.

After Recess

Chairman Butrovich called the meeting back to order, and turned it over to Sen. Ray who gave his dollar recommendations. He cited the general fund balance figure as \$20,020,700 and interagency receipts as \$3,365,600 and \$8,752,000 as special fund.

Total Sen. Ray's final figure was \$18,233,300 for the Department general fund figure. However, he said there was no use doing anything with it because of funding changes which had come out during the meeting. Thus, the figure will have to be adjusted.

Gen'l. His allowance for the Division of General Administration is \$719,000.
Administration

Aviation His allowance for the Division of Aviation is \$11,135,100.

Buildings His allowance for the Division of Buildings is \$4,465,200.

Communications His allowance for the Division of Communications is \$879,900.

Marine Transportation His allowance for the Division of Marine Transportation is \$13,357,000
Sen. Ray concluded by saying that the figure of \$18,233,300 is the firm general fund figure as far as the committee is concerned. How that is adjusted is what he has to figure out.

Adjournment: The meeting was adjourned at 3:45 p.m.

SENATE FINANCE COMMITTEE

April 13, 1971

1:30 p.m.

Present: All members with the exception of Senators Palmer, Hensley and Lewis. Also present was Mr. Herb Soll, Public Defender.

PUBLIC
DEFENDER

Mr. Soll stated that he was present to bring the committee up to date on budget items he had discussed with them in an earlier meeting. He has requested the addition of \$76,000 to his budget, which the Governor has approved. This includes monies for the intern program with UCLA law students, also discussed earlier. Since his earlier meeting with the committee, the Board of Governors of the Alaska Bar Association has agreed to let these interns practice law at the district court level. He said that the shortage of manpower in the agency is considerable, but if they get this law clerk program, the federal government through the Law Assistance Agency will provide additional manpower. He also mentioned the benefit in having the law students graduate, having had some experience in court rather than being "green".

Sen. Butrovich asked if the full amount requested is in Personal Services, and Mr. Soll said all but a desk and paper supplies.

[Senators Palmer and Lewis came in.]

Recess: Mr. Soll left and the committee recessed to move downstairs.