

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2532

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January 12, 1972

1:30 p.m.

Present: Representatives Hohman, Warwick, Haugen, Fink, Ditman, Wright and Degnan. Mr. John Greely, Associated Press, was also present.

Chairman Hohman called the meeting to order at 1:30 p.m.

- HB 475 Mr. Hohman assigned HOUSE BILL NO. 475 (Revision of agency operations plans under the Executive Budget Act) to Mr. Fink.
- HB 312 Mr. Warwick suggested that the committee delay action on HOUSE BILL NO. 312 (establishing a tourism revolving fund in the Dept. of Economic Development) until a later date. He noted there are out-of-town witnesses who wish to appear on this bill.
- HB 291 Mr. Hohman noted that HOUSE BILL NO. 291 (an act relating to vendor's commissions for the issuance of fish and game licenses and tags) would also be considered at a later date. Mr. Hohman said that the sponsor, Representative McGill, wished to appear before the committee before action was taken.
- HB 415 Mr. Warwick asked the committee their feelings on the scholarship loan program that had passed last year (Chapter 98, SLA 1971). He said he felt there was concern over this bill as to supplementals. He said he had talked to the agency in charge of administering this program (Dept. of Education) in regard to legislative changes. Mr. Warwick said he felt there was a feeling that possibly they might do away with the 40 per cent forgiveness clause. Mr. Warwick said the agency felt that \$400,000 or \$500,000 would take care of funding this program for this fiscal year.
- Mr. Fink said he felt that the forgiveness feature has a couple of severe problems. He said he thought if they were to meet the needs of the students they would have to put in about \$4,000,000 for the next fiscal year. He said he felt there would be opposition to this amount of money -- he noted that some people felt this program detracts from the University of Alaska. Mr. Fink said he would be in favor of knocking out the forgiveness feature.
- Mr. Wright said that he would also be in favor of eliminating this clause.

Mr. Wright left the meeting.

Mr. Haugen said that he wanted the student loan program to be adequate but he felt it should be paid back.

The committee discussed whether or not the agency making the loans checked into the parents' financial ability. The committee felt that this should be based on student financial need and not on the ability of their parents. Mr. Hogan distributed a letter dated July 23, 1971 to the Dept. of Education from the Budget and Audit Committee. The letter requested that the Department award loans on the basis of student financial need.

Mr. Hohman read from the Governor's Affairs of State Message (page 5 of Journal Supplement No. 1) which said:

"In the field of higher education, we will encourage local initiative and expand individual choice through amending our scholarship loan program to include funding for loans plus an excess tuition grant program for Alaskan residents who choose to pursue their educational opportunity in Alaska. A veterans preference should control in the event of a shortage of appropriated funds."

Mr. Fink said he felt that the scholarship loan fund is for the aid of the student and not the school. He said if the loans are restricted to schools in Alaska then they are actually aiding the schools.

Mr. Fink requested that the staff draft a bill which would eliminate the forgiveness portion.

Mr. Degnan said he felt that the program should be fully funded but it should be paid back.

The committee briefly discussed a letter from Commissioner Wohlforth, Dept. of Revenue, pertaining to the tax for the disaster relief fund.

Adjournment: The committee adjourned at 2:07 p.m.

HOUSE FINANCE COMMITTEE

January 13, 1972

10:00 a.m.

Present: All members. Representative Joe McGill was also present.

HB 291 Mr. Hohman called the meeting to order and noted that the committee would consider HOUSE BILL NO. 291 (an act relating to vendor's commissions for the issuance of fish and game licenses and tags).

Mr. McGill said that the purpose of the bill is to change the fee for issuance of licenses and tags from 5 per cent to 10 per cent. He said that this has been a problem for many vendors as there is a lot of paperwork involved. He noted that hardware stores have particular problems as they may lose sales while attempting to issue licenses.

In answer to Mr. Hohman, Mr. McGill said that this bill is for all types of fish and game licenses and tags.

Mr. McGill said that Mr. Skinner (Ace Hardware, Juneau) had told him that he had to keep a full time clerk to issue licenses and when he had dropped the license issuance his customers had complained. Mr. McGill said that Mr. Skinner felt the 10 per cent fee would be a "break even" situation.

The committee discussed the federal funding involved and whether the federal funding was based on net or gross fees. Mr. Fink requested that the staff contact the Dept. of Fish and Game in this regard and then report this information back to the committee.

Mr. Fink said that he had not heard of any complaints in the Anchorage area on issuance of licenses. He felt that the committee should look into all the problems in this area.

Mr. Haugen said that persons are required to appear in person to buy commercial fishing licenses and that this creates a lot of hardship for people in his area.

Mr. Fink requested a copy of all correspondence that Mr. McGill had on this subject but Mr. McGill said he did not have the information with him and thought it was in last year's files.

Mr. McGill left the meeting and HOUSE BILL NO. 291 was returned to the files.

The committee briefly discussed the scholarship loan program. Mr. Fink requested that Mr. Thomas, Dept. of Education, be contacted and asked to prepare a written report for the committee on how many loans are pending and if the loan program is opened up how many applications might come in. Mr. Fink also requested that Mr. Thomas be asked to appear before the committee to answer questions on this program.

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

AFTER RECESS

3:15 p.m.

Present: All members. Dr. Lind, Commissioner of Education, and Mr. Thomas, Deputy Commissioner of Education, were also present.

HB 415 Mr. Thomas distributed information on the scholarship loans awarded through January 1, 1972.

Mr. Warwick noted that the committee was contemplating introducing a supplemental for this fund. He asked Dr. Lind and Mr. Thomas what the deficit on this program is now. Mr. Fink pointed out that the administration had introduced a \$300,000 supplemental for this.

The information distributed showed an amount of \$211,349 for the waiting list for loans (applied after funds were all awarded). Mr. Warwick said that he had talked to Mr. Carruthers (who is in charge of administering the program) and he had indicated the amount needed might be higher than this figure. Mr. Warwick said that Mr. Carruthers had indicated they had taken into consideration some dropouts and that possibly they should not rely on this. He said that Mr. Carruthers had also indicated there would be some teachers who hoped to apply for loans for summer schools. Mr. Warwick asked if the \$211,349 figure takes this into consideration. Mr. Thomas said no -- the \$211,349 figure is generally for applications pending.

Mr. Wright questioned where the \$300,000 figure for the Governor's requested supplemental had come from. Mr. Thomas said that this was furnished by his Department; however, it was furnished at an earlier date and at that time they thought it would be sufficient. Mr. Thomas said at that time they had applications amounting to \$200,000 which were backlogged and the remaining \$100,000 was "off the top of our head". Mr. Thomas added that if the program does not have lapses they will be \$103,000 over.

Mr. Wright said that it was his understanding that some loans had been "scaled down" and he wanted to know who made this determination. Mr. Thomas said Mr. Carruthers normally decided this unless there was a question on it and then Mr. Thomas made the decision. Mr. Thomas

pointed out that this procedure was only applied toward the tail of the program. Mr. Fink said that they had tried to get the Budget and Audit Committee to fully fund this program but the Committee would not agree to fully fund a supplemental request. He said that the agency making the loans had to scale down.

Mr. Haugen asked how many high school seniors will graduate this spring and Dr. Lind said about 4,000.

The committee discussed the possibility of teachers applying for loans for summer schools. Mr. Fink questioned how they could show need and Dr. Lind said that most of the applications would be eliminated on this basis.

Mr. Thomas said that another point he would like to bring up was the money involved for administering this program. He explained that they had to "rob" from another program and that he would like to request about \$35,000 to pay for the position they took from another program.

Mr. Fink asked when the agency would know the amount of lapses and Dr. Lind said they should have this information about the middle of February.

Mr. Fink asked what percentage of high school seniors go to college and Dr. Lind said approximately 50 per cent. Mr. Hohman said then it was possible they might have as many as 2,300 applications. Mr. Fink said that would only hold true if all the graduates who go to college apply. He felt that if they drop the forgiveness clause a lot of students would not apply.

Mr. Thomas said that because the scholarship loans also cover vocational programs he would anticipate a lot more applications. He felt many students were not aware of this concept last year.

Dr. Lind said that the Lt. Governor is pre-registering seniors for voting and at the same time he is also asking them to feel out a questionnaire on whether or not they plan to go to college and if they plan on applying for a loan. Dr. Lind said he felt this would give them a good indication of the anticipated number of application from this year's graduating class.

Mr. Fink asked Dr. Lind if he was recommending any changes in this program. Dr. Lind said that personally he did not recommend any changes; however, he felt it was important to have the money to properly administer the program.

In answer to Mr. Fink, Dr. Lind said that if the forgiveness clause was eliminated this would probably cut down on the number of students who were not sure whether or not they wanted to go on to college but the students who have a firm commitment would still apply. Mr. Fink said he felt that some people would not apply at all if there was no forgiveness feature. Mr. Thomas said it was his personal opinion the forgiveness feature would be an "administrative headache". He suggested they might consider eliminating the forgiveness feature for those students going out of state. Mr. Fink questioned the advantage of this.

Mr. Fink said the administration recommended \$3,000,000 for funding for this program for the next fiscal year. He asked if this was adequate. Mr. Thomas said no. In answer to Mr. Fink, Dr. Lind said it was a "shot in the dark" but he did not feel that \$4,000,000 would be that far out of line. Mr. Hohman asked if they were consulted on the \$3,000,000 request. Mr. Thomas said they were but that this figure was determined in October at which time they thought it would be adequate -- because of the late start they have had more applications than anticipated.

Mr. Warwick asked about the Governor's equalization plan but Mr. Thomas said he was not familiar with this.

Mr. Fink asked if any of the loans had been paid back and Mr. Thomas said some students who had quit had returned the unexpended portion.

There was a brief discussion on the National Guard educational grant program.

Mr. Fink asked if there had been any type of abuse in the scholarship loan program. Dr. Lind said there was a very small number of abuses that they were aware of -- they had only heard of two cases.

The committee discussed what other states have in the way of scholarship loans and Mr. Fink requested that Mr. Thomas provide any information he may have along this line.

Mr. Fink asked if the \$5,000 for graduate students is adequate. Mr. Thomas said they had not had any complaints.

Dr. Lind said that he felt this is an excellent program. He said Mr. Carruthers had indicated that he has received many fine comments on the program. Dr. Lind said he felt one feature that is very good is that it provides for those who want to go to a community college for vocational training.

In answer to Mr. Hohman, Mr. Thomas said there are at the present time 131 applications for students who are eligible for a total amount of \$211,000. In addition they estimate there will be others for the spring quarter and summer sessions that might amount to another \$100,000. Mr. Fink pointed out that if there are no lapses the agency has already expended.

Mr. Hohman asked what would be a more realistic figure for the supplemental. Dr. Lind said they had used 20 per cent as a guide for the figure for dropouts and noted this amount is based on the university's experience. Mr. Thomas said they knew when they estimated 20 per cent they were high but they wanted to be optimistic so they could award as many loans as possible.

Mr. Fink said that he felt the \$500,000 for the supplemental in the committee's proposed bill is a more reasonable amount.

The committee briefly discussed the instructional unit and foundation program. Mr. Fink requested the committee be furnished with information on this in regard to transportation and debt service.

Mr. Hohman asked the status of the regional high school in Bethel. Dr. Lind said as of July 1, 1972 this will go under State Operated Schools. He added they are also looking at the possibility of putting the regional dormitory program under SOS. Mr. Fink asked what part the federal government pays and Dr. Lind said about \$3,000,000 per year goes into domestic care of students. Mr. Hohman asked what is required to transfer this to SOS. Mr. Thomas said this can be done statutorily or by Executive Order. Mr. Hohman asked if there was adequate monies to provide for the new facility for Bethel so it will be operational by fall. Mr. Thomas said yes. Mr. Hohman asked if they have enough money for material things. Mr. Thomas said there is a statutory problem in getting this ready -- when SOS was under the Dept. of Education there was a statute which provided that the Department could order up to one-half of their requested budget in advance and they did not have to wait until July 1 (they could obligate funds they did not have). That authority went to SOS and was stricken from the Department of Education's authority. Mr. Thomas said as far as ordering they do not have funds in the current year's budget and cannot order until after July 1, 1972. Mr. Hohman said if they did not move on this it would be practically impossible to have the dormitory ready by Sept. 1. He asked if they have a definition of their needs. Mr. Thomas said yes, they need \$112,000 worth

of equipment. Mr. Thomas pointed out that the academic responsibility is under SOS and he was talking about such things as bedding, recreational equipment, etc. This was briefly discussed and the meeting adjourned

Adjournment: at 4:10 p.m.

HOUSE FINANCE COMMITTEE

January 14, 1972

8:55 a.m.

Present: All members except Representatives Ditman and Degnan.

Chairman Hohman called the meeting to order at 8:55 a.m.

Supplementals Mr. Hohman stated that the first item of business was the supplemental appropriation bill in the amount of \$500,000 for the scholarship loan funds which the Finance Committee was sponsoring.

HB 536 Mr. Fink felt that the appropriation should be changed to \$448,000 and divided into two parts: \$35,000 for the administrative costs and \$413,000 for the operating fund.

Mr. Warwick moved and asked unanimous consent that the supplemental appropriation bill be introduced in the amount of \$448,000. No objection, so ordered.

HB 535 Mr. Warwick then suggested that they introduce a bill repealing the forgiveness section of the scholarship loan program.

Mr. Fink moved and asked unanimous consent that they introduce the repeal bill. No objection, so ordered.

HB 499 Mr. Hohman said that he had had a supplemental appropriation bill drafted in the amount of \$5,625,000 to accompany HOUSE BILL NO. 499 (An Act creating the Alaska Regional Corporation Organizational Loan Fund). He asked if there were any objections to having the bill sponsored by the Finance Committee.

Mr. Fink commented that he was in favor of the loan, but not necessarily the 4% interest. He felt that it should be at the going rate which is about 5.9%.

Mr. Hohman decided that the bill should be held in abeyance.

Adjournment: The meeting adjourned at 9:00 a.m.

HOUSE FINANCE COMMITTEE
January 18, 1972
10:10 a.m.

Present All members except Mr. Degnan. Also present was Mr. Joe LaRocca.

Chairman Hohman called the meeting to order at 10:10 a.m.

Mr. Hohman told the Committee he had the drafts of the two bills relating to the Scholarship Program before him. One was on the repeal of the forgiveness section, and the other was the appropriation for the \$480,000.

After some discussion the Committee decided that the bills should be introduced along with a House Finance Committee Statement including both bills. This Statement was to show that they intended to go for funding of the Loan Program. With regard to the repeal of the forgiveness, they wanted to say something to the effect that without it there would be such difficulties as: an administrative nightmare, the possibility that full funding would be remote, promotion of greater borrowing and profit making, and negative motivation for students to return to the State. They felt that it was generous of the State to be losing the 4% interest per year of study.

[Mr. Degnan arrived.]

Bill
Assign-
ments

Mr. Hohman assigned bills to the following members for study:

HB 512	HB 512 (An Act relating to computation of taxable income under the Alaska net income tax) -- Mr. Haugen
HB 515	HB 515 (An Act appropriating for extraordinary expenses incurred by the state as a result of the airplane crash of September 4, 1971) -- Mr. Hohman
HB 516	HB 516 (An Act appropriating to the Office of the Governor for payments pursuant to the Alaska Native Claims Settlement Act) -- Mr. Degnan
HB 518	HB 518 (An Act appropriating for the operating and capital expenses of state government) -- Committee
HB 519	HB 519 (An Act relating to the Alaska net income tax) -- Mr. Fink
HB 522	HB 522 (An Act appropriating for miscellaneous claims) -- Mr. Degnan
HB 525	HB 525 (An Act relating to the transportation allowance of legislators) -- Mr. Wright

HB 526 HB 526 (An Act appropriating to the Legislative Affairs Agency) -- Mr. Ditman

HB 497 HB 497 (An Act relating to the tax on watercraft fuel) -- Mr. Ditman

HB 291 Mr. Hohman brought HOUSE BILL NO. 291 (An Act relating to vender's commissions for the issuance of fish and game licenses and tags) up for discussion. The fiscal note on this had been distributed to the committee.

Mr. Hohman stated that they were trying to determine whether increasing the commissions to venders would result in a loss of the Dingle-Johnson and Pittman-Robertson Funds.

Mr. Hogan stated that he was trying to get hold of Mr. Vern Roberts of Fish and Game to find out which of the three sets of projections they had received was the accurate one.

He added that he didn't think that more State monies were going to bring more federal monies since Alaska is already pretty close to the top in allocations. However, he felt this should be verified, and he suggested contacting the federal Department of Fish and Wildlife.

Mr. Fink commented that he would like to have someone from the federal department before the Committee.

It was decided that Vern Roberts would be contacted to appear before them at 8:30 the following morning, and the federal information should be requested for that afternoon.

Recess Meeting recessed at 10:45 a.m.

HOUSE FINANCE COMMITTEE
January 19, 1972
8:45 a.m.

Present: All members except Mr. Ditman, Mr. Haugen, and Mr. Wright. Mr. Vern Roberts, Director for the Division of Administration in the Department of Fish and Game, and Mr. Ben Hilliker, the Deputy Commissioner for Sport Fish and Game in the Department of Fish and Game, were also present.

Chairman Hohman called the meeting to order at 8:45 a.m.

HB 291 Mr. Hohman stated that the matter before them was HOUSE BILL NO. 291 (An Act relating to vender's commissions for the issuance of fish and game license tags). He asked Mr. Roberts whether increasing the allowance to vender's would cut out matching monies for federal programs.

Mr. Roberts answered that according to the last completed fiscal year (70-71), an increase in the amount that goes to the venders would decrease the funds available to the State for matching purposes. Last year they received \$77,000 based on \$1,548,000 gross fishing and hunting licenses sales receipts. Presently 5% of those receipts are going to the venders for selling licenses.

[Mr. Haugen arrives.]

Mr. Hohman asked the amount of federal monies they were entitled to. Mr. Roberts told him that they would get \$390,000 of federal money if it were available.

Mr. Hohman asked if there had been an excess of State match money. Mr. Roberts answered that there was a period of time when they had a build up of Fish and Game funds, but in the last three years they had been matching all federal funds available to them. Thus, their balance has gone down.

Mr. Hohman wondered if there would be any federal funds that would be available if they had additional matching money. Mr. Roberts said there really wouldn't be as the amount available was not contingent on match. They are already receiving the maximum.

Mr. Roberts told the Committee that his Department had prepared an analysis on the license funds which showed the declining balance on both the Fish and the Game side of the Fund. He handed out this material.

Mr. Haugen asked whether the Fish and Game Funds he was talking about were state or federal. Mr. Roberts replied they were federal. He added that until 1968 the State's Fish and Game Fund on both sides was increasing, but since that time there had been a dramatic decrease. On the papers he had passed out were figures showing the federal allocations for the last three years. He referred to the top page which showed exactly what the money was used for under the Dingle-Johnson Program, and under the Pittman-Robertson Program. He told them that they could see in the reports the amount that lapsed in these programs had dropped drastically.

Mr. Warwick asked what the federal allocations were based on, and was told by Mr. Roberts that it depended on the size of the State and the number of licenses sold. Because of Alaska's size, they get the highest allocation of any State.

Mr. Haugen wondered whether, if they had a large amount of unused federal monies, they could make a special appropriation to cover it. Mr. Roberts said they could appropriate General Fund monies to match the federal monies.

Mr. Warwick asked what the money had to be used for, and Mr. Roberts said that it was basically for enrichment of sport fish and game and for research in the State.

Mr. Roberts added that in the spring of 1969 they had had \$492,000 of Pittman-Robertson Funds which they had failed to match. Through negotiations, they received permission to use the money to build an office building for state use, primarily because a number of federal programs were to be housed in it.

Mr. Warwick asked whether they were spending the last year's money first. Mr. Roberts answered that was correct.

In answer to a question from Mr. Hohman, Mr. Roberts stated that he felt it reasonable to pay the vendors more than they are presently getting. He thought that perhaps by paying the vendors more for doing it, they would get better service.

Mr. Haugen asked about having the Department sell the licenses, and Mr. Roberts said they couldn't according to the statutes.

Mr. Hohman asked him to identify the areas where license vending was a problem. Mr. Roberts said that the problems specifically dealt with commercial licenses. The complexity of issuing licenses for commercial fishing made it more time consuming than sport fishing and hunting licenses. The revenues received are not as great because they sell fewer licenses.

Mr. Fink wondered why Mr. Roberts wasn't in favor of HB 291. Mr. Roberts felt that the same ends could be accomplished by passage of SENATE BILL 149am (An Act relating to license and tag fees). This increases the license fee charged, which would take care of the declining balance in the Fish and Game Fund and also increase the amount the vender gets without increasing the number of licenses he has to sell.

In answer to a question from Mr. Haugen, Mr. Roberts said that commercial licenses were not referred to in the bill.

In answer to a question from Mr. Warwick, Mr. Roberts stated that in the coming fiscal year 73, the state portion will exceed the federal portion by a very considerable amount. For the first time in the history of the Fish and Game Fund, they will have a Fish and Game Hunting Enforcement Activity of almost a million dollars. This will drastically reduce any balance in the Fish and Game Fund that may have been accumulated over the years.

[Mr. Wright arrives.]

Mr. Fink asked whether there was one Fish and Game Fund. He was told that there was only one in the Treasury, but then it was split into two separate accounts, one for Fish receipts, and one for Game receipts.

Mr. Warwick asked if money was appropriated on the basis of both types of licenses, and Mr. Roberts answered that appropriations were made for either one or the other, but not for both.

Recess Meeting recessed at 9:05 a.m.

AFTER RECESS
11:30 a.m.

Present All members except Mr. Ditman and Mr. Warwick.

Bill Assignments Mr. Hohman assigned the following bills to Committee members for study.

HB 503 HB 503 (An Act making supplemental appropriations to the Department of Law) -- Mr. Hohman

HB 505 HB 505 (An Act making a supplemental appropriation to the Department of Public Works) -- Mr. Hohman

HB 507 HB 507 (An Act making a supplemental appropriation to the Department of Military Affairs) -- Mr. Degnan

HB 508 HB 508 (An Act making a supplemental appropriation to the Office of the Governor, Public Defender Agency) -- Mr. Warwick

HB 509 HB 509 (An Act making a supplemental appropriation to the Department of Public Works, Division of Buildings) -- Mr. Wright

HB 511 HB 511 (An Act making a supplemental appropriation to the Office of the Governor for participation in the Western Nuclear Compact) -- Mr. Fink

HB 263 Mr. Wright moved and asked unanimous consent that HOUSE BILL NO. 263 (An Act relating to the minimum teachers salary scale) be brought up for discussion. No objection, so ordered.

Mr. Wright commented that this was a safe bill for all districts.

Mr. Wright then moved and asked unanimous consent that HOUSE BILL NO. 263 be moved out with a DO PASS recommendation. No objection, so ordered.

HB 153 After some discussion, it was decided that representatives from the Division ~~Budget and Management~~ and the Division of Planning and Research would be asked to appear at 1:00 p.m. to testify on HOUSE BILL NO. 153 (An Act pertaining to budgeting for capital improvement projects).

Recess Meeting recessed at 11:45 a.m.

HOUSE FINANCE COMMITTEE

January 19, 1972

1:20 p.m.

Present All members except Mr. Haugen, Mr. Wright, and Mr. Ditman. Also present were Mr. Richard Freer, Deputy Commissioner for the Department of Administration; Mr. Myrton Charney, Director of the Division of Budget and Management; and Mr. Robert Pavitt, Director of Planning and Research.

Chairman Hohman called the meeting to order at 1:20 p.m.

HB 153 Mr. Hohman asked Mr. Pavitt to testify on HOUSE BILL NO. 153 (An Act pertaining to budgeting for capital improvement projects).

Mr. Pavitt began his testimony by stating that since last year his division has become quite considerably more involved in the budget process, particularly with the new Executive Budget Act and the new system of program budgeting. He said that he had served on the Budget Review Committee. The relationship between his Division and Budget and Management has improved substantially from a functional as well as an operational standpoint. He emphasized that the Division of Planning and Research had no objection to the provisions of the bill. He added that as a matter of practical application, it was the way it was going to happen. The responsibilities laid out for the Budget and Management would be accomplished by that division. However, much of the input of physical planning on the relationship of proposed projects by the agencies will be provided on a comprehensive basis by which his Division and the Division of Budget and Management will be able to review physical effects of capital improvements as to effective or future budgets and future estimates. He concluded saying that HB 153 was one they would be able to work with administratively, and that the Governor had no objection to it.

Mr. Freer spoke next saying that he thought that what the bill proposed actually clarified what has already evolved between the two divisions. It explains what is going on at the present time. Budget and Management actually puts together the Capital Improvement Budget Manual.

Mr. Charney stated that ultimately the Governor and his Review Committee would make the final decision, and that it was immaterial where it was physically located. He said that his division was able to review capital projects and see the whole process. The bill, thus, is compatible with what they are doing.

Mr. Fink asked who prepared an up-dated six-year capital improvement program. Mr. Freer answered that there was no such document. He added that in the past twelve years, three have been prepared.

HOUSE FINANCE COMMITTEE
January 20, 1972
8:35 a.m.

Present: All members except Mr. Wright. Also present were Major Ray Holmson of the Alaska National Guard, and Lieutenant Don Kaiser of the Alaska Navy Militia.

Chairman Hohman called the meeting to order at 8:35 a.m.

Mr. Hohman turned the meeting over to Mr. Degnan, the subcommittee Chairman for the bills which were to be discussed.

HB 378 Mr. Degnan stated that the first item on the agenda was HOUSE BILL NO. 378 (An Act relating to veterans public land preferences). He asked Major Holmson for his comments.

Major Holmson stated that this was a no-cost bill which amended the Alaska Statutes to include active members of the Alaska National Guard to be eligible for the same benefits veterans receive in regard to state lands. It would be a one time occurrence for bidding on residential lots. Like veterans, they would be able to go to an auction a half hour ahead of time. This would also be an incentive measure for enlistment in National Guard.

[Mr. Wright arrives.]

The Major went on to say that more and more dependence is being placed on the National Guard to act as a ready reserve force.

Mr. Degnan commented that as it stands now, the Guard can be called on for active duty at any time based on a determination of national emergency by the President, or of state emergency by the Governor.

The Major reiterated that the bill was designed to be on a no-cost basis.

Mr. Fink stated that in Anchorage he had had Guardsmen indicating that they would like veteran's privileges if they had served longer than normal. That is, if a man stayed in for a period longer than six years, he ought to be entitled to it.

The Major felt that they had to have some things that incited enlistment of individuals. He said that many times, everything came after their reenlistment. Thus the question has been raised as to what the Guard does for troops in their initial two or six year operation. He thought that providing certain items they would be eligible for--at no cost to the

state government--might solve part of this need. He said that perhaps if they started out with a favorable attitude, they would be more likely to reenlist.

HB 352

Mr. Degnan then asked Major Holmson to move on to HOUSE BILL NO. 352 (An Act relating to the pay and allowances of members of the Alaska National Guard).

Major Holmson noted that the present statute provided state active duty equal to federal, but at a pay not less than \$6 per day. This bill states that the Alaska Naval Militia would be eligible and also provides for a minimum payment of \$25 per day. Although a cost evaluation was attached to the bill, they were unable to figure how much it would cost per year because they couldn't know how many emergencies there would be.

There was some discussion on the \$6 dollar per day rate. Mr. Warwick asked for a comparison of the U.S. army pay rate under the same situation. The Major pointed out that the military pay scale was different, because although the base pay was small, there were a lot of non-taxable allowances thrown in--such as the Commisary, the PX, and free medical care, plus living in that environment. Whereas, the guardsmen were being taken off of civilian jobs. They have no other benefits or allowances.

Mr. Fink stated that they were getting per diem which meant that they were talking about \$30 per day instead of per diem.

The Major explained that Workmen's Compensation was not based on per diem, but the actual amount they were making--\$6 per day. What they wanted to do was delete the per diem thing and change the \$6 to \$25.

Recess Meeting recessed at 8:55 a.m.

AFTER RECESS

9:35 a.m.

Present All members. Also present were Major Holmson and Lieutenant Kaiser.

Mr. Degnan asked if there were any other questions on HOUSE BILL NO. 352.

Mr. Warwick asked if, when they changed the per diem to pay, it would still be tax exempt. He was told no.

HB 346 Mr. Degnan then brought up HOUSE BILL NO. 346 (An Act relating to Alaska National Guard reenlistment bonuses).

Major Holmson stated that although the reenlistment bonus passed in 1970 had a good effect on individuals throughout the State, the way the law was written and the effective date precluded paying a non-obligated individual who was in voluntary status, but had reenlisted before the effective date of the law. They now pay approximately 20% of those who should be eligible through reenlistment.

The Major went on to explain how those who had reenlisted before the effective date, were unable to receive a reenlistment bonus until they reenlist again in 1976.

Another difficulty occurred, when for example, a man reenlists for five years after July 1, 1969, as an E-5, and during that time is promoted twice. Yet, he only receives his 10-day bonus each year at the pay which he would have received at the time he reenlisted. Thus, what they are doing is reenlisting one year at a time, and this creates a tremendous administrative burden on the Department itself.

Mr. Fink asked what the 20% referred to and the Major said they had 1000 people who were non-obligated individuals who had reenlisted. 20% of these had reenlisted after July 1, 1969. 80% completed the reenlistment document prior to that date.

Mr. Hohman asked how much money was involved, and Major Holmson said that the bonus was an average of \$150 per man per year.

Major Holmson referred to the cost data. Last year they had paid \$38,000. This year it was \$42,000, and the estimate for next year is \$45,000. What they want to do is add 80% into that, so that the amount would be \$182,000 for FY 73, and \$201,000 for FY 74.

Mr. Fink remembered that when they had first passed this bill

it was to be at a cost of \$20,000. He asked Major Holmson to have Colonel Byington write a memo reconciling the figures.

Mr. Fink asked how many people they could take into the Guard. The Major answered that their maximum figure was 3121.

The Major said that the federal government contributed \$10 for every \$1 of State money.

The Major then said that they were 500 to 600 people understrength at the present. Yet, they are leading in the nation in percentage and goals achieved. Right now they have 30 part time recruiters and what they want is tools--like this bill--for them to work with.

Mr. Fink asked whether the administration had taken any position on this, and the Major didn't know of any.

Recess Meeting recessed at 10:05 a.m.

AFTER RECESS
11:20 a.m.

PRESENT All members except Representatives Hohman, Haugen, and Wright. Also present were Major Holmson and Lieutenant Kaiser.

HB 346 Mr. Degnan stated that they would resume discussion on HOUSE BILL NO. 346.

Major Holmson spoke to Mr. Fink regarding the reconciliation of the \$20,000 figure and the present one. At the time the bill was first drawn up, it was an Association sponsored bill with members working part time on the legislation. They didn't have the use of data processing and were unprepared to tackle the data they had. Thus a figure came out. The Major stressed that no one had intended to be underhanded, and thought it best that they had caught the mistake now. The data being presented now was based on the 20% figure and two years experience. The figures were based on maximum strength of 3121 for FY 73.

Mr. Fink wondered how often the maximum strength figure was changed, and was told that it was raised by 300 when the Naval Militia was included. The time before that was in 1966 when they went through reorganization.

HB 507 Mr. Degnan asked Major Holmson to speak on HOUSE BILL NO. 507 (An Act making a supplemental appropriation to the Department of Military Affairs).

The Major stated that they anticipated a \$90,000 figure for FY 72 actual expenditures. They spent \$38,000 in FY 71. They had been authorized \$30,000 for the program, but it didn't even cover costs of reenlistment for the fiscal year.

He went on to say that they had an education benefit law which had been in effect since the prior year, but no money was coming. Twelve individuals were enrolled in the education program.

The Major stated that out of the \$30,000 they had been talking about, \$19,000 was called for to fund the remainder of the reenlistment program due to individuals right now. The other \$11,000 was to fulfill obligations for those currently enrolled in the education program. They are paid exactly the same as veterans.

[Mr. Hohman arrives.]

The Major felt that the beauty of the education program was that in order for an individual to be educated by the State he had to be doing something for the State.

In answer to a question by Mr. Fink, Major Holmson said that 87% of the money spent in the last year went to people in villages. The people in villages have very few opportunities to earn cash. This was one way they could perform services and take home cash pay.

Recess Meeting recessed at 11:45 a.m.

HOUSE FINANCE COMMITTEE

January 20, 1972

1:45 p.m.

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

Chairman Hohman called the meeting to order at 1:45 p.m. He announced that the staff was in the process of binding the Department of Highways budget request and that the books should be ready for the Committee members to study this afternoon or tomorrow.

Chairman Hohman announced that the committee would take up the Department of Highways budget on Tuesday, January 25, at 1:30 p.m. The staff was instructed to inform Commissioner Campbell.

- HB 312 Chairman Hohman asked Mr. Warwick to schedule HOUSE BILL 312 (establishing a tourism revolving fund in the Department of Economic Development for a bill session at 8:30 a.m. Friday, January 21.
- HB 102 Chairman Hohman asked Mr. Fink to schedule HOUSE BILL 102 (An Act relating to loans for commercial fishing purposes) and HOUSE BILL 103 (An Act appropriating to the Department of Administration for the purpose of making commercial fishing loans; and providing for an effective date) for a bill session at 8:30 a.m. Monday, January 24.
- HB 103
- HB 49 Chairman Hohman asked Mr. Degnan to schedule HOUSE BILL 49 (An Act relating to electric development loans) and HOUSE BILL 50 (An Act appropriating to the Department of Commerce; and providing for an effective date) for a bill session on Monday, January 24, at 8:30 a.m.
- HB 50
- HB 291 Chairman Hohman stated HOUSE BILL 291 would be discussed on Tuesday when the information requested from Fish & Wildlife arrived.
- HB 110 Chairman Hohman scheduled HOUSE BILL 110 (An Act creating a legislative intern program) assigned to Mr. Warwick for Tuesday, January 25, at 8:30 a.m.

HB 24 Chairman Hohman scheduled HOUSE BILL 24
(An Act appropriating to the Department of
Public Works; and providing for an effective
date) and HOUSE BILL 189 (An Act appropriating
to the Department of Public Works; and providing
for an effective date) assigned to Mr. Ditman
for a bill session Tuesday, January 25 at 8:30
a.m.

HB 378 Representative Degnan moved and asked unanimous
consent that HOUSE BILL 378 be passed out of
the Committee with a "do pass" recommendation.
Representative Fink objected, stating he would
sign the Committee Report "no recommendation".

The Committee discussed who would be affected by
the bill in terms of number of years served and
re-enlisting. Representative Fink stated that his
understanding of the bill was that you couldn't
get the benefits until you fulfilled your obliga-
tion, and then you had to re-enlist to be eligible.

Representative Fink withdrew his objection.
There being no further objection, the bill was
ordered passed out of the Committee with a
"do pass" recommendation.

CSHB
352 Representative Degnan moved and asked unanimous
consent that CSHB 352 be passed out of the committee
with a "do pass" recommendation. He stated that
the substitute bill provided for a per diem
payment of not less than \$25 per day.
Representative Hohman objected, and after discussion
of the substitute bill, withdrew his objection.
There being no further objections, the committee sub-
stitute was passed out of committee with a "do pass"
recommendation.

HB 346 Representative Degnan moved and asked unanimous
consent that HOUSE BILL 346 be passed out of
committee with a "do pass" recommendation.
Representative Fink objected. He stated his
objection was that the bonus would be paid each
year to each person instead of only on one
occasion. Representative Warwick stated he felt
Col. Byington should testify on the fiscal note
on the bill since he felt it would cost more than
indicated. Representative Fink stated the original
idea of the bill was to get more re-enlistments,
and he didn't feel this provision would do that.

Mr. Hogan suggested the bill be amended as follows:
On line 18, delete "for each year he" through line
20, "reenlistment bonus is."

Representative Fink stated giving retroactive bonuses would not affect reenlistment. He also stated that this bill would cause an increase in the Governor's budget; the biggest expense of the bill was in making it retroactive. Mr. Fink stated that there would be a 400% increase according to the fiscal note.

Chairman Hohman called for a vote on Representative Degnan's motion. Representatives Degnan, Hohman, Wright and Ditman voted for a "do pass" recommendation. Representatives Fink and Warwick indicated they would sign the Committee Report "no recommendation."

HB 378 Representative Degnan moved and asked unanimous consent that the Committee's previous action on HOUSE BILL 378 be rescinded. There being no objection it was so ordered.

Representative Degnan moved and asked unanimous consent that the effective date provision on HOUSE BILL 378 be deleted from the bill. There being no objection, it was so ordered.

Representative Degnan moved and asked unanimous consent that HOUSE BILL 378 as amended by the previous motion be passed from committee with a "do pass" recommendation. There being no objection, it was so ordered.

HB 507 Representative Degnan moved and asked unanimous consent that HOUSE BILL 507 providing for a supplemental appropriation be passed from committee with a "do pass" recommendation.

HB 507 Mr. Wright stated that he believed the committee should have testimony from the department on this bill. Chairman Hohman stated they had received testimony during the morning session. Representative Fink stated that he was concerned that if HOUSE BILL 346 became law, the supplemental appropriation in HOUSE BILL 507 would be insufficient. The staff was instructed to notify the department to appear before the Committee on Friday, January 21, at 8:30 a.m. to testify on HOUSE BILL 507.

HB 346 Representative Fink asked that HOUSE BILL 346 be held until the department had testified.

ADJOURN- The meeting adjourned at 2:30 p.m.
MENT

HOUSE FINANCE COMMITTEE

January 21, 1972

8:35 a.m.

PRESENT All members except Representatives Degnan and Haugen.

Chairman Hohman called the meeting to order at 8:35 a.m.

Bill Assignment Mr. Hohman assigned the following bills to members for study:

HB 353 (An Act relating to search and rescue relief)
-- Mr. Fink

HB 354 (An Act appropriating to the Department of Public Safety) -- Mr. Fink

HB 501 (An Act making a supplemental appropriation for the veterans' loan program) -- Mr. Ditman

HB 533 (An Act appropriating to the Alaska regional corporation organizational loan fund) -- Mr. Hohman

SB 104am (An Act relating to geological and geophysical surveys) -- Mr. Wright

RECESS Meeting recessed at 8:40 a.m.

AFter RECESS

1:55 p.m.

Present: Representatives Hohman, Fink and Warwick. Representative Mike Miller was also present.

HB 312 It was noted the committee would hold a sub-committee meeting regarding HOUSE BILL NO. 312 (an Act establishing a tourism revolving fund in the Dept. of Economic Dev.).

Mr. Warwick explained that the purpose of the bill is to satisfy a definite need in the state in the tourism industry. He added that this bill would create a revolving loan fund similar to the veterans loan fund.

The State Affairs Committee had three amendments to the bill and the committee briefly discussed these.

Mr. Hohman asked if Mr. Warwick was in agreement with SA amendment no. 3 which changed line 8 on page 2 from "the Dept. of Revenue shall purchase the mortgages" to "the Dept. of Revenue may purchase the mortgages". Mr. Warwick said he was opposed to this. Mr. Fink said he felt that "may" would make this unworkable. Mr. Warwick said he hoped to get input and testimony from the administration and from the committee and then have the committee come up with a committee substitute for this bill.

The committee discussed page 2 regarding collateral which said "The loan shall be secured by acceptable collateral and may not exceed 75 per cent of the appraised value of the collateral offered as security". Mr. Fink felt that it would be possible for a borrower to come up with "phony appraisals" and he felt they should insist that he have equity. He felt if a person had his own money invested the loan would be more secure. Mr. Warwick agreed noting they would want to be sure the borrower had equity and not "paper equity". Mr. Fink suggested they might add to the bill "evidence must be submitted to show the borrower actually submitted one-third of the loan in cash" and the pros and cons of this were discussed.

Representative Miller said he did not think that tourism was the type of industry that would have trouble meeting the criteria the committee was talking about. He added that he felt this type of fund was very badly needed.

After more discussion, the committee decided to request various members from the administration and the industry to testify on this bill. The time of the meeting was set for Monday, January 24, 1:30 p.m.

Adjournment: and the meeting adjourned at 2:35 p.m.

HOUSE FINANCE COMMITTEE

January 24, 1972

1:40 p.m.

Present: All members except Representative Degnan. Mr. E. Wilson, Dept. of Commerce; Mrs. Irene Ryan, Commissioner, and Mr. Guy Russo, Dept. of Economic Development; Mr. D. Alexander, Dept. of Revenue; Representative Mike Miller; Mr. Frank Seymour, Alaska Visitor's Association; and Mr. Rick Lauber were also present.

HB 312 Chairman Hohman called the meeting to order and noted that the meeting was for the purpose of discussion on HOUSE BILL NO. 312 (an Act establishing a tourism revolving fund in the Dept. of Economic Development). He turned the chair over to Mr. Warwick.

Mr. Warwick said that the reason for holding the hearing was to get the administration's view of this bill. He added they would like to get input from the Dept. of Revenue, the Dept. of Economic Development and the Dept. of Commerce.

Mrs. Ryan spoke on the bill. She said that there is obviously a need to develop tourist facilities but the problem is whether or not the state wants to consider this loaning in the realm of "hard" loans against "soft" loans. Mrs. Ryan said this is a seasonal industry and not all ventures are successful.

Mrs. Ryan said if the legislature does decide on this bill she would like to see this added on as an amendment to the Small Business Loan Act passed last year. She said that the reason for this was that if it is put in the Dept. of Economic Development the overhead would be duplicated. If the loan programs were put in one department, the overhead cost would be less. Mrs. Ryan listed several projects in the state where this type of loan could be used.

Mr. Warwick asked if Mrs. Ryan would anticipate a great many applicants should this bill pass. She said she would imagine there would be considerable interest and a number of applicants but whether they would qualify would be another question.

Mr. Guy Russo, Director of Tourism, read a prepared statement. He agreed with Mrs. Ryan's comments and added this type of fund is essential and sorely needed.

Mr. Russo said that tourism is a seasonal business and this is one of the reasons that banks are not interested in loaning money. He asked that consideration be given to let the banks participate in this program. He said this would not be so necessary in Anchorage but in smaller communities and out in the bush it is very badly needed. Mr. Warwick asked why he felt that commercial banks should participate. Mr. Russo said he felt the expertise available in banks would be very valuable to the state. Mr. Warwick said that he realized at this time the state might not have this type of person but it was the thought that the state could obtain a good loan officer.

Mr. Fink asked what attitude Mr. Russo felt the loan committee should have in making these loans. Mr. Russo said he felt they should make loans available to the same type of clientele the banks did -- he thought they should have a "hard nose" approach.

Mr. Fink asked if other states have these loans made by commercial banks. Mr. Russo said he did not know but he thought they were made by commercial institutions.

Representative Peratrovich entered the meeting.

Mr. Russo added that tourism is merely a 100 day season in Alaska and this is unique to other states.

Representative Degnan entered the meeting.

The bill notes that the Tourism Fund Board consists of the Commissioners of Economic Development, Revenue and Commerce. This was briefly discussed. Mr. Fink asked Mr. Russo if his division had discussed this bill with the Commissioner of Commerce and Mr. Russo said no.

Mr. Alexander, Dept. of Revenue, spoke on the bill. He said they were not set up to service mortgages and they were concerned with the size of the loan portfolio already in the general fund. He said they are presently purchasing veteran loans and these average about \$10 million a year. Mr. Alexander said he was not criticizing whether this bill is valid but at the present time they are trying to preserve the general fund. Mr. Fink pointed out that the administration is projecting substantial balances in the general fund until 1981. He said that in 1981 there will be

\$45 million in the general fund according to the projections. Mr. Fink said this would provide a 10 year start on this particular project. Mr. Fink asked if the figures the Department follows are generally conservative. Mr. Alexander said he did not know.

In answer to Mr. Warwick, Mr. Alexander said if they were talking about a maximum of 8% this would make a good investment. Mr. Warwick said then Mr. Alexander's position would be if it was a good loan they would at least give it consideration. Mr. Alexander answered yes, there is a need for loans in the state's portfolio. Mr. Warwick asked who determines the nature of the portfolio and Mr. Alexander said the Commissioner of Revenue.

Mr. Fink referred to Mr. Alexander's comment on the need for loans. He questioned this because the Department of Revenue has stopped purchasing loans. Mr. Alexander said this was not true, in fact on March 1 they would purchase \$4 million in mortgages.

Mr. Fink said that he thought the committee members were interested in developing a program for tourism but they had reached the conclusion that Revenue would not buy unless they were forced to. Mr. Alexander said he could not speak for the Commissioner but that he would advise him to buy some of these loans when there is a need for 8 per cent monies.

Senator Ray entered the meeting.

Mr. Warwick asked if Mr. Alexander had any recommendations for amending this bill. Mr. Alexander said his only comment would be that the Department is not set up to service these loans. He said if they were talking about 1/2 of 1% any bank would do this for the same charge. Mr. Warwick pointed out that this would not be all they were allowed to receive for servicing these loans.

Senator Ray left the meeting.

Mr. Warwick asked about the collateral clause in the bill and Mr. Alexander said he felt this was about average.

Mr. Fink questioned Mr. Alexander on the success of the veterans loan program. Mr. Alexander said it is a help for the veterans but it is not a good investment.

He added that after servicing they are yielding about 4 1/2%. Mr. Fink asked if they were making veteran loans at the same rate as the overall fund, would he consider it a good investment and Mr. Alexander said yes.

Mr. Fink said ne would like to know how many millions of dollars the Department of Revenue feels they can put into mortgages of 5 to 30 years duration assuming they are bearing a rate equal to what they are making on the fund. Mr. Alexander said the projection for veteran loans is \$5 million and the latest information he had is for \$10 million a year. Mr. Fink said that Revenue had indicated \$27 million would be invested in loans on a long term basis. Mr. Alexander said this would not be for anything like 25 to 30 years duration.

Mr. Hohman asked Mr. Alexander how long he had been with the state and Mr. Alexander said about a year and a half and he gave a brief summary of his employment record.

Mr. Wilson, Deputy Commissioner of Commerce, spoke on the bill. He said his department endorses Commissioner Ryan's statement in reference to expansion of existing loan programs versus new loan programs. Mr. Wilson said he would like the committee to consider some of the various problems that have arisen with other programs of this nature. He noted that the Alaska State Development Corporation was a good example and that this is primarily in the housekeeping stage and no longer active in issuing loans for economic development. Mr. Wilson said that loan programs of this nature seem to be abused. He said that he was not inferring that this would be abused but that he would like to ask the committee for consideration of this. Mr. Wilson said the Economic Development Administration took the position they refused to participate in loans dealing with tourism because they were a high risk type of loan. He added that the Small Business Administration participates in these loans only when they are associated with accomodation type loans such as hotels and motels. Mr. Wilson suggested that the committee discuss this with the banking industry and get their views on financing tourism. He added that they are not opposed to this type of legislation but felt it would be helpful if these areas are checked into.

Mr. Fink requested that Mr. Wilson provide the committee with his recommendations on what he felt could be included in the bill to provide as many precautions as necessary

to insure that they do not get "bad" loans. The committee also requested that Mr. Wilson provide them with his recommendations on HOUSE BILL NO. 49 (an Act relating to elective development loans) and HOUSE BILL NO. 102 (an Act relating to loans for commercial fishing purposes) and HOUSE BILL NO. 103 (an Act appropriating \$35 million for making commercial fishing loans).

In answer to Mr. Fink, Mr. Wilson said that he felt HB 312 has merits. He said he was not knowledgeable on the fisheries bill (HB 102).

There was a discussion on the Glacier Bay Lodge and the problem that the lodge has had in getting financing. Mr. Wilson said he would assume the only financing available now is private. Mr. Warwick wondered if the banks would participate for 20 or 30% with the state taking on the rest. Mr. Wilson said he did not know, the owner of the lodge had indicated the banks would not lend into the higher risk markets.

The committee discussed the accomodation consideration and Mr. Warwick said he would assume that accomodation type loans are more secure. Mr. Wilson said yes, and noted an example being a ski resort and if the resort had rooms the banks would be more apt to lend.

Mr. Wright asked if the department was experiencing any problem with veteran loans and Mr. Wilson said no, they are extremely good.

Mr. Wilson questioned the wording on page 2 of HOUSE BILL NO. 312, line 10 "charging the board a one-half of one per cent service fee". Mr. Fink agreed that the language was improperly written.

Mr. Frank Seymour, Executive Director of the Alaska Visitor's Association, spoke on the need for this bill. He said there is no question but there is a need for long term capital. He said most of the facilities funded in the last two or three years obtained funding from outside the state. He said there have been some minor facilities created but these have been primarily on short term loans. Mr. Seymour said that the industry as far as this legislation is concerned is not suggesting the state become involved in anything but "good" papers but on a long term basis. He added that banks are unwilling to put out long term money for visitor attractions.

Mr. Seymour said this is not so much of a problem in the larger communities but that outside money will not invest in large quantities in visitor facilities in small communities or in the bush area.

Mr. Seymour reiterated the problems that the Glacier Bay Lodge has had and he said he felt that if the committee wished the owner would be glad to testify on these problems.

Mr. Seymour said in the course of discussion with his Board of Directors it was determined there was no need for financing in Anchorage or Fairbanks for tourism. He added there are needs in Ketchikan, Juneau and Kodiak.

Mr. Seymour said that the hotel industry has told them it is uneconomical to operate beds and restaurants without having a 50 unit basis for a minimum.

There was more discussion and the committee requested that Mr. Seymour provide them with an analysis showing the size of improvements that would be covered by this bill, the size of the individual loans and the cost of facilities that AVA would like to see covered under this law. The Committee also requested information on how much impact this loan program would have in the urban areas, and if facilities are built in rural areas how many dollars this will mean to Anchorage and Fairbanks. The Committee felt this analysis should include the basic needs of the different areas of the state.

The wording of HOUSE BILL NO. 312 states "The loan shall be secured by acceptable collateral and may not exceed 75 per cent of the appraised value of the collateral offered as security." The Committee requested that Mr. Seymour discuss with AVA's Board of Directors their feelings on the idea that this would hold true on already established businesses but that this would require 50 per cent on new facilities. If the 50 per cent collateral was established, the Committee asked Mr. Seymour what areas this would help.

Mr. Fink requested that the proper person be contacted in the large banking industry to testify on this bill and that a copy of this letter remain in the files.

Recess: The committee recessed at 3:25 p.m.

AFTER RECESS

3:40 p.m.

Present: All members except Mr. Wright. Representative Peratrovich Mr. Rick Lauber, Mr. E. Wilson and Mr. D. Alexander were also present.

HB 102 Chairman Hohman called the meeting back to order and said the committee would consider HOUSE BILL NO. 102 (An Act relating to loans for commercial fishing purposes) and HOUSE BILL NO. 103 (An Act appropriating \$35 million to the Dept. of Administration for making commercial fishing loans).

Mr. Fink said that the Resources Committee had an amendment which would change this from the Dept. of Fish and Game to the Dept. of Commerce. Mr. Peratrovich said that Fish and Game did not have the personnel to handle this program.

Mr. Peratrovich spoke on the need for these bills. He said that the competition is getting so great for the fishermen that the only change for the Alaskan group is to update their equipment. He said they have reached a point where they have to diversify their operations. Mr. Peratrovich said it is not easy for the fishermen to obtain loans from banks. Mr. Peratrovich said that the bill states the maximum shall be \$300,000 and that this is based on the present type of boats they have to have to fish "outside." He said the minimum stated in the bill is \$25,000.

Mr. Peratrovich said he felt that the \$35 million appropriated in HOUSE BILL NO. 103 is an adequate amount to start with.

Mr. Fink asked why they need to delay payment for 5 years. Mr. Peratrovich said that the thinking behind this part of the bill is that in some of the areas they have poor seasons. Mr. Fink said he could see the extension of payments in case of poor seasons for one year but questioned the need for five years.

Mr. Fink said there was nothing in the bill which stated the loan would provide a certain percentage of the value. He said in the other revolving loan fund bills that are being considered they have a percentage. He asked if Mr. Peratrovich felt the fund should provide a 100 per cent loan. Mr. Peratrovich indicated this was not his thinking and he felt that the people who

set up the program could determine this. Mr. Fink asked how Mr. Peratrovich felt about securing real estate, giving the example of a fishermen who may own a \$100,000 house and that he could put this up for security. Mr. Peratrovich said he would have nothing against this and did not think the borrower would. Mr. Ditman said he did not think it was realistic to think that a fishermen would have this type of house.

Mr. Fink asked what kind of board would handle these loans. Mr. Peratrovich said he would assume this would be similar to the Board of Regents for the University.

Mr. Ditman noted the federal program for fishermen. This is the "vessel credit program" whereby the fishermen can put the money they would have to pay for taxes into a fund which can only be used for the purchase of a new boat or for remodeling. Mr. Haugen noted this is a deferred income tax arrangement. Mr. Ditman added that this money cannot be used for anything but new vessels or to remodel.

Mr. Wright entered the meeting.

The committee discussed the limitations of the bill in regard to gear and vessels.

Mr. Peratrovich discussed the fishing cycles noting that "humpies" were on a two year cycle. Mr. Hohman said if they were going to accommodate the Bristol Bay fisheries it would be reasonable to look at a five year period and Mr. Peratrovich said yes.

Mr. Ditman asked Mr. Peratrovich how he felt about purchasing gill netters in Canada. He noted it was much cheaper to do this than purchasing in Seattle. Mr. Peratrovich felt this should be left as is and pointed out they could always change this next year.

The bill indicated the borrower must have been a resident of Alaska for at least 5 years. Mr. Fink noted the committee might consider requiring that the borrower must have had a commercial fishing licence for five years.

Mr. Alexander said he was a little concerned with the terms of the loan noting that he could see no market for these loans except the Dept. of Revenue.

Mr. Degnan asked if Mr. Alexander was saying that Revenue would not lend to the fishermen. Mr. Alexander said he could not comment. He added that he was sure there is a need.

Mr. Peratrovich said he felt that a 7 per cent interest rate would be agreeable.

Mr. Fink requested that the Dept. of Revenue be asked to comment on HOUSE BILL NOS. 312, 49 and 102. He asked whether the Department would prefer that they segregate the money in revolving funds or that a mandatory purchase feature be included, or if they have any recommendations as to limitations on mandatory purchases.

Mr. Warwick asked if the administration has any plans to introduce legislation such as this in order to make loans to industry in Alaska. Mr. Alexander said no, "not to my knowledge."

Mr. Hohman asked if the administration is contemplating going into this type of loan. Mr. Wilson said that he thought the administration and the legislature would like to see this type of thing set up. Mr. Warwick said he did not think the administration has shown much interest in this. Mr. Wilson said he had spoke in favor of loan programs of this nature, particularly the veteran program. He said he could only speak for the Department of Commerce and thought they acted very favorably on loan policies and programs of this nature.

In answer to Mr. Fink, Mr. Wilson said they did take the position that they felt all of the loan programs for various types of industry should be "under one roof."

Mr. Peratrovich said that the Department of Fish and Game did not speak against this bill but they merely said they did not have the personnel to administer this program.

Mr. Fink said that if these programs are combined in one department then it should be more economical. Mr. Wright questioned whether or not the state pay scale was high enough to hire a person with the expertise needed to handle this program. Mr. Wilso felt that such an individual could be obtained under the state pay scale. Mr. Wilson said they could pay him between \$20,000 and \$25,000 a year and he did not think many bankers made over this.

Mr. Rick Lauber, lobbyist for the Association of Pacific Fisheries, testified on the bill. He said his organization represented about 95 per cent of the salmon processors of the state. He said they were in favor of this legislation. Mr. Lauber said they are not in the business of loaning money for fish boats but they have been doing this because the fishermen have trouble obtaining funds elsewhere. He explained the problems involved in this noting it would be better if the fish processors were out of the lending business.

Mr. Lauber said he felt the minimum amount (\$25,000) should be lower citing that a fisherman who would want to buy only an engine for \$2,000 would not be able to use this fund.

Mr. Lauber said that the canneries do not loan money to a fisherman unless he has proven himself for a number of years. He said he did not believe that anyone would argue over the requirement of three years as a commercial fisherman.

In answer to Mr. Fink, Mr. Lauber said that on the loans many of their fishermen have never paid anything but interest. He added that the canneries have also co-signed loans for fishermen.

Mr. Warwick asked the rate of delinquency on these loans but Mr. Lauber said he did not know.

Mr. Fink asked how much money the companies have out in loans. Mr. Lauber said he had anticipated this question and had tried to find it out. Although he could not get an exact amount he said that he had been told it would not be exaggerating to say they had out twice as much as the amount appropriated in HOUSE BILL NO. 103, or an amount of \$70,000,000.

Mr. Peratrovich said that in reference to Mr. Lauber's statement on fishermen who had not paid anything but interest on their loan he felt the committee should be aware that these fishermen have produced a great deal of money for the canneries.

Adjournment: The meeting adjourned at 4:48 p.m.

HOUSE FINANCE COMMITTEE
January 25, 1972
10:00 a.m.

PRESENT All members except Representatives Ditman and Wright.

Chairman Hohman called the meeting to order at 10:00 a.m.

HB 291 Mr. Hohman stated that the bill under discussion was HOUSE BILL NO. 291 (An Act relating to vendor's commissions for the issuance of fish and game licenses and tags). He asked Mr. Vernon to tell the Committee what he had found on the matter.

Mr. Vernon passed out materials showing what had gone on in the Fish and Game Fund and what was projected to happen throughout fiscal year 1973. He went over these pages with the Committee.

Mr. Vernon explained that lapse was actually based on a one year period. When a certain amount of an allocation was lapsed, it could be used the next year. However, if it is not used, it will revert back to the federal government.

[Mr. Wright arrives.]

Mr. Vernon went on to say that the amount available for spending was the amount available for that fiscal year, plus lapse for all the previous years except where the total expenditure was less than what the lapse would make the appropriation.

Mr. Fink asked whether in the State of the State message the Governor had endorsed increases in licenses and tags, and was told yes.

Mr. Vernon stated that the agencies money plus the Fish and Game Fund monies would probably allow the Department of Fish and Game to run without increases in tags for a few years, but he thought that if they looked at the revenue projections, they would see the need.

Mr. Warwick thought that increases in licenses and tags would be necessary in order to avoid reversions. Mr. Vernon agreed that was probably the situation.

Mr. Warwick commented that if they had had the money to match it, they just hadn't done it.

Mr. Hohman asked the implication to the Fish and Game Program if they cut the budget down--stayed out of the General Fund and used these revenues.

Mr. Fink stated that Fish and Game was keeping a reserve they could use. As long as the legislature was fully appropriating, there was no harm, but if the federal government made more money available after the session, the Department would lose out.

Mr. Hohman pointed out that the programs worked on a two year basis, so the following legislature could take care of it.

Mr. Vernon stated that those might be program expenditures planned, but not expended.

Mr. Haugen explained that sometimes what happened was the Department of Fish and Game says programs qualify, but then the federal auditors say it doesn't. That's why they want to keep a reserve fund.

Mr. Warwick asked what the allocation was based on, and Mr. Vernon stated that Alaska got 5% of the federal allocation.

Mr. Fink asked whether the State's selection of lands would effect that, and the Committee thought that it might.

Mr. Hogan said there were two sources of reversion: (1) the federal auditors come in after money is expended and say money won't be allowed for this purpose. If the project is done, and the money already spent, State money has to be used. (2) they will overestimate the cost of a project and have money left over.

Mr. Warwick asked what type of projects they were allowed to have and Mr. Hogan said that most were essentially habitat improvements.

Mr. Haugen thought they should find out essentially how much of their money they are matching.

Mr. Hogan said they were probably now expending enough federal monies and doing enough to fully utilize it. He suspected they could fully utilize the money even without the increases in fees.

Mr. Warwick asked what they had to do to obligate federal receipts for fiscal year 1973 and Mr. Vernon said there was no federal requirement that the matching monies come from the Fish and Game fund--they could come from the General Fund.

Mr. Fink thought that maybe the Department of Fish and Game didn't want to do the projects that the federal monies required.

Mr. Hogan called their attention to the provision in the federal regulations that dealt with diversion of funds. When that occurs, the State becomes ineligible to receive federal funds. Thus Fish and Game License fees are required. They have to show that all go into generalized useages. He explained that the reason they were so sensitive was because throughout the nation sportsmen groups have sought to have hunting and fishing licenses fees prescribed as their money. License revenues can't be used for any other purposes than administration of fish and game functions.

Mr. Hogan explained that what they were telling them, in a round-about way, was that in comparison with the rest of the western states, Alaska has low sport fish and hunting license fees. So, as apportionment goes up, they will be harder and harder pushed to match it. Either they sell more licenses or raise the amount of fees.

Mr. Warwick protested that they hadn't had any trouble matching federal funds.

Mr. Hogan answered that over the years Alaska's fishing and hunting license sales have exceeded the rate of other states, but this is that leveling effect. It tends to keep all of the other states fairly comfortable in their rate increases.

Mr. Hohman brought them back to their original concern--that vendors should receive additional monies for selling licenses. Going on that assumption, he asked if they should do it as a percentage of the license fees.

Mr. Hogan stated that if they increase the percentage of the license fees they are reducing the amount of monies flowing into the Fish and Game fund. To increase the payments to vendors and not reduce the Fish and Game Fund, they could appropriate from the General Fund to the administration of Fish and Game and make them pay out of that sum a fee to the vendors not related at all to license fees. That way they could increase the licenses take by 5%. The reason they wouldn't lose much money was that they had a way of first dollar in is first dollar out, so that they could string all the way back, and in effect go back three or four years.

Mr. Warwick asked if they were reverting money because they couldn't use it in the programs. Mr. Hogan said that was right. It seemed more of an administrative problem. If they were to increase the Fish and Game Fund for a couple of years they would probably dry up all of the lapses from prior years. Then they would have more money in the Fish and Game Fund than they could match.

Mr. Hogan thought it might be appropriate to ask the Department or other interested parties about the problems in creating a project that was fully matched.

HB 49

Mr. Hohman stated that the next topic of discussion would be HOUSE BILL NO. 49 (An Act relating to electric development loans). Mr. Kertulla was present to testify.

Mr. Kertulla began by stating that the Rural Electrification Administration had a background fro bringing as much money as possible into State investments. On the national scale REA faces staggering demands for loan funds it cannot begin to supply. A lot of people aren't going to get the loan funds they desparately need. Many co-ops have been told they may no longer expect to get 100% REA loans--they must go elsewhere for the balance of their needs. This may be the newly formed Cooperative Finance Corporation, the open market, or other loan sources.

Mr. Kertulla explained that Alaska electric cooperatives are in need of additional sources of low-cost, long-term loans in order to construct electric lines and facilities needed to supply the soaring Alaska demand.

HB 49 would set up a loan fund which would help every Alaskan, not by giving out grants of money, but in making supplementary loans to the electric utilities that will be repaid--principal and interest.

Mr. Kertulla stated that he had backup material showing the needs and requirements for development of a program. He thought it was a chance to put into the development of the State.

Mr. Warwick asked how these organizations obtain financing for programs now, and Mr. Kertulla said they went directly to REA. He explained that they used to have two years organization from REA which was federally financed. Now they can't plan in advance and have to go to some other market to get it.

Mr. Warwick asked about Golden Valley Coop in Fairbanks. Mr. Kertulla stated they went directly to REA for finances, but couldn't get over 90% of their needs at any time. Like any other business, REA establishes abilities on the basis of the situation. Essentially federal money finances it.

Mr. Warwick asked what type of loan this would be. Mr. Kertulla said that if they were one of those selected to get money, they could get up to 90% from REA at whatever the rate is. For the rest they would have to go to Cooperative Finance.

Mr. Warwick asked what the rate was now, and Mr. Kertulla said that the national REA rate was only 2% and that Cooperative Finance was probably 7 or 8 percent. He explained that this would serve at 10 or 20 percent if they were accepted by REA and 100% if they were not.

Mr. Fink stated that nobody in Chugiak had told him of any problems getting money. Mr. Kertulla said they were getting money now. Chugiak, he stated, was REA's pet project in Alaska. However, they still have to go to market for part of the money.

Mr. Fink asked if it were possible they would still get REA money, and Mr. Kertulla said they weren't going to get the amount they were used to at any rate.

Mr. Kertulla didn't think anybody could say we didn't need transmission and generators.

Mr. Kertulla said that he subscribed to a development bank concept. He thought that HOUSE BILL NO. 49 was a move in the right direction. He said ultimately they were going to have a development bank.

Mr. Fink thought that they were talking about substantial amounts of money. He asked Mr. Kertulla how he felt about having a loan fund to the extent of 10% so they didn't go off on totally new projects. It struck Mr. Kertulla as a good idea. He thought that if they made 10% available they would be solving an awful lot for the next year or so.

Mr. Fink said that he would like to have Bob Ward of the Alaska Power Administration appear before the Committee.

Mr. Kertulla concluded by saying that his original intention was to help provide those coops with this emergency source of financing.

RECESS

Meeting recessed at 11:20 a.m.

AFTER RECESS

11:45 a.m.

PRESENT All members except Representatives Ditman and Wright.
Also present were Representatives Jess Harris and John Huber.

HB 189 Mr. Harris, Sponsor of HOUSE BILL NO. 189 (An Act appropriating \$3,000,000 to the Dept. of Public Works, Pioneers Home Anchorage) was present to testify on the bill.

Mr. Harris said that the Pioneers Home which was in Palmer had originally been planned for Anchorage. The reason he introduced the bill was that most of the old people would much rather be in Anchorage when they go to a home. He didn't feel it made sense to take these people and move them out where they had nothing to do. He didn't feel the money spent was a substantial amount.

Mr. Warwick asked if any planning had been done on this, and Mr. Harris didn't know of any.

Mr. Fink assumed that they were going to get someone from the Department of Administration to tell them about the bill.

Mr. Hohman asked if it was true that the Governor had people preparing a report on old timers. Mr. Fink said that was true, and that the Governor would in turn make a report to them. It was expected somewhere around the first of February.

HB 24 Mr. Hohman said that Mr. Huber would speak on HOUSE BILL NO. 24 (An Act appropriating \$2,000,000 to the Department of Public Works. Pioneer's Home Fairbanks).

Mr. Huber stated that when the Fairbanks Home was built, it was planned for 120 guests. However, there wasn't enough money for that, and only the core area--heating, dining facilities, etc.--was built for that amount of people.

Mr. Huber believed that to increase the Fairbanks Home to its original planned capacity would be the least expensive place to provide housing in Alaska right now. They would have to provide 63 additional guest spots which would cost approximately \$2 million.

Mr. Huber said that the January bed count was 37 in the guest wing and 26 in the nursing wing. There are 28 people on the waiting list to get in, but he emphasized that was not a true picture. The waiting list is so long that people just give up and don't add their names to it. He said he had spoken with Jack Link, the director of the Fairbanks Home, who had said that if the additions were ready at this time, by the end of January, there wouldn't be over 10 beds available.

[Mr. Bradner arrives.]

Mr. Bradner stated that this had been kicking around since 1966. The Base facilities were constructed and the home was incomplete. He said that Pioneer Homes had consistently been political constructions and unplanned. He said that it would be feasible to just add bedrooms in order to complete the Home.

RECESS

Meeting recessed at 12:15 a.m.

HOUSE FINANCE COMMITTEE
January 26, 1972
10:30 a.m.

PRESENT

All members except Mr. Wright. Also present were Lt. Jerry Dahl and Lt. Col. Glenn Byington from the Department of Military Affairs.

Chairman Hohman called the meeting to order at 10:30 a.m.

HB 352

Mr. Hohman explained that there had been a question as to the range and impact of HOUSE BILL NO. 352 (An Act relating to pay and allowances of members of Alaska National Guard).

He went on to say that the bill was to take care of guardsmen called out on emergency duty by providing just compensation for their time. The question comes up as to whether it might not also raise the pay for normal duty.

Col. Byington said that it states that they shall receive that pay if they are on active duty of service to the state under orders of the Governor. He explained that orders were prepared which indicated whether it was a federal or state act of duty.

Lt. Dahl said that the orders putting a person on State active duty so state in the first paragraph. These will be paid for with State allowance. This is different from State active federal duty where the federal funds are used.

Mr. Fink asked if the Guard was ever called under orders of the Governor unless it was an emergency. Col. Byington said that was the only time.

Mr. Fink asked about weekend duty, and Col. Byington said that was required training duty in active status, but covered by federal law.

Lt. Dahl said that pay and allowance for active training was under the order of the Secretary of the Army.

Col. Byington said that the only time one was on state active duty was when there was an emergency or disaster and the Governor called them out.

Mr. Fink asked if the Governor could call them out for training. Lt. Dahl said he could, but then he would have to pay them. Col. Byington said that in that case they would have to be paid what they would get for state active duty.

Mr. Hohman asked how many times they were called out by the Governor. Col. Byington said they were called out on an average of once a year. He added that it has always been an emergency.

[Mr. Mike Miller comes in.]

Mr. Fink asked if it wasn't true that everytime they train they are under orders of the Governor. Col. Byington said that was right, but the Governor has the right to make it state or federal orders as to duty.

Mr. Fink suggested adding a new paragraph saying that it had to deal with emergency situations.

[Mr. John Carter of the State Employees Association arrives.]

Mr. Hohman asked Mr. Hogan to prepare a committee report and asked Col. Byington to come back at 4:00 p.m. to see the revised form of the bill.

[Col. Byington and Lt. Dahl leave.]

CS HB 32

Mr. Hohman said that the next item on the agenda was COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 32 (An Act relating to pay increments for State employees).

Representative Miller and Mr. Carter were present to testify.

Mr. Carter began his testimony by reading from the resolutions presented this year to the State Employees Annual Assembly. The resolution dealt with longevity pay.

Mr. Carter stated that so far longevity averages out as 2nd in the priorities. It is important to State employees. Right now there are 1167 employees in F step and this is approximately 18 1/2% of those in service.

Mr. Carter felt that the State should be compared to the other prime recruiting areas. For example, Anchorage borough, the school district, and the city provide longevity as does the federal government.

This committee substitute bill was written to provide only 4 increases during an extent of 13 years.

Mr. Hohman asked Mr. Carter for a copy of the completed survey on State Employee priorities when it was tabulated. Mr. Carter said that it should be completed by Monday.

Mr. Haugen asked how many years it took to be eligible for a retirement benefit. Mr. Carter answered 60 years of age or 30 years of service.

Mr. Miller explained that the committee substitute was a compromise bill. It requires a 3.5% increase after an employee has been in an F step without a raise for 7 years. It would be raised again 4 years later, on his 9th year later and on his 13th year later. He added that 18 1/2% of the entire work force was dead ended. He felt that just the fact that the bill passed would be a morale booster for these people.

Mr. Hohman asked Mr. Carter for a copy of their annual rating sheet.

Mr. Hohman then asked that the Department of Administration be asked for an updated fiscal note on HB 32.

RECESS

Meeting recessed at 11:45 a.m.

AFTER RECESS

4:10 p.m.

Present: All members except Representatives Fink, Wright and Degnan. Col. Byington and Lt. Dahl were also present.

HB 352 Mr. Hohman called the meeting to order and noted the committee would continue their discussion of HOUSE BILL NO. 352 (an Act relating to the pay and allowances of members of the Alaska National Guard).

A proposed Committee Substitute for House Bill No. 352 had been prepared and Mr. Hogan gave a brief explanation of the contents of this. Mr. Hogan explained that the definition of the Guard is already covered in AS 26.05.230 and this definition will not be changed by the Committee Substitute. This covered the Army National Guard, Air National Guard and Alaska Naval Milita. Mr. Hogan said it was not necessary to include this in the Committee Substitute -- the term Alaska National Guard is sufficient.

The committee discussed whether or not a guardsman while on emergency duty would be covered by workmen's compensation. The Committee Substitute changed the pay and allowances from \$6 a day to \$25 a day and the committee questioned which rate would apply should an injury occur.

Mr. Degnan entered the meeting.

The committee requested that the Division of Workmen's Compensation be notified and that someone from that division be asked to appear.

After a brief recess, Mr. John Cook, Director of Workmen's Compensation, entered the meeting.

Mr. Cook explained that the Board for Workmen's Compensation decided whether or not a guardsman would be covered. He said if the decision is protested then it would be taken to the Supreme Court. Mr. Cook said that the Board had requested him to rule in these cases that the guardsman is under workmen's compensation if it is legally possible to do so.

Mr. Ditman asked if this is "cut and dried" and Mr. Cook said it is not, but if it is up to the

Board they will say yes unless the Attorney General says they cannot do so and then the Board would probably say no.

Lt. Dahl said that Commissioner Benson, Dept. of Labor, had given an opinion saying that the Guard would be covered if they were on emergency duty. Mr. Cook agreed that he would think they would be; however, he pointed out that the court might disagree.

The committee questioned Mr. Cook as to the rate of pay that would apply should a guardman be injured. Mr. Cook said the rate of pay established for the guard would be on a short term basis and workmen's compensation would take the average pay for the individual and so this would be based on the salary he was making on his personal job, not on the guard pay.

Mr. Hohman requested that Col. Byington and Lt. Dahl study the proposed Committee Substitute and if they had any changes to report these back to the committee by the next morning.

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

HOUSE FINANCE COMMITTEE
January 27, 1972
8:45 A. M.

Present: Chairman Hohman, Representatives Warwick, Fink, Ditman, and Wright. Also present was Joe LaRocca of the Associated Press.

HB 475 Chairman Hohman called the meeting to order at 8:45 a.m., and noted that the committee would consider HOUSE BILL 475 (an act authorizing the revision of agency operations plans under the Executive Budget Act).

Chairman Hohman asked J. H. Hogan to explain the purpose of the bill. Mr. Hogan opened his remarks with the statement that Commissioner of Administration Joe Henri had voiced his disapproval of this bill to him.

Representative Warwick asked why the administration was not in favor of the bill. Mr. Hogan stated that the administration felt that the allocations within the budget should be the responsibility of the administration.

Mr. Hogan directed the committee's attention to provision (a) (1) of the bill which states . . . *"If approved by the governor and the committee, the operations plan of an agency provided for under sec. 80 of this chapter may be revised to allow for the (1) increase of an appropriation item based on additional federal or other program receipts;*

Mr. Hogan stated that under existing statutes, the Legislature reviews only a portion of the state's operating budget since it does not review the program receipts which are not in the budget. This situation allows the administration to make commitments for programs which may have to be funded with state funds at a later time. This bill will make the temporary review and approval duties of the Budget and Audit Committee a part of the statutes.

The second change covered by this bill has to do with the establishment of new positions. Mr. Hogan stated this is clearly a change from what was done in the past; under Executive Order No. 20, the Governor could create new positions. This provision of HOUSE BILL 475 would make the creation of new positions subject to approval of the Budget and Audit Committee.

Mr. Hogan stated that salary costs are the biggest part of governmental expense; he stated that it seems if the Legislature intends to control expenditures, one of the principle ways of doing it is to control the number of new positions.

The third area affected by this bill is reallocation between line items; any reallocation between line items would require the approval of the Governor and the Budget and Audit Committee. Mr. Hogan explained that the Finance Committee could appropriate to whatever line item level they desired, and changes by the Governor alone could only be made below that line item established in the appropriations bill.

Mr. Hogan stated that sections (b) and (c) of the bill allow the administration to make reductions in an appropriation when there is a shortfall in federal or other program receipts, and to reduce the state funding portion of an appropriation when other program receipts exceed the appropriated estimate of receipts.

Representative Haugen entered the meeting at 8:50 a.m.

Representative Warwick stated this is the basic criticism made of the Legislature--we might as well appropriate one item. He stated that this would make the Finance Committee's budget review more meaningful. Representative Warwick asked if the bill would have any effect on reclassifications.

Mr. Hogan stated it did not, but that phase could be handled through normal budget reviewing; if the committee should so instruct the staff, they could pull out of the budget requests all reclassifications, and the committee could appropriate to the Division of Personnel for all reclassifications.

Representative Degan entered the meeting at 8:55 a.m.

Representative Haugen stated that as far as the Budget and Audit Committee was concerned, he was pleased that committee had a handle on revised programs.

Representative Ditman stated that the Governor now has the authority to increase an appropriation item based on additional program receipts and to establish new positions; does the bill mean he could no longer do these things without the Budget & Audit Committee approval and does it stop his ability to use Executive Orders.

Representative Fink responded that he could not shift funds between the line item appropriations unless the Budget and Audit Committee concurs.

Chairman Hohman asked for the subcommittee recommendation on the bill. Representative Fink recommended that the bill be passed out of the committee with a "do pass" recommendation, but suggested that the committee first hear testimony from the administration regarding their feelings on the bill. The staff was instructed to arrange for such testimony.

ADJOURN-
MENT

The meeting was ^{recessed} adjourned at 9:00 a.m.

AFTER RECESS

1:45 p.m.

Present: All members except Mr. Wright. From the Dept. of Revenue, Mr. Wohlforth, Commissioner; Mr. Alexander, and Mr. Eppenbach were also present. Mr. Dick Hall, National Bank of Alaska, and Mr. Wilson, Deputy Commissioner, Dept. of Commerce, were also present.

HB 554 Chairman Hohman called the meeting to order and assigned HOUSE BILL NO. 554 (GO Obligation bonds \$30,000,000 for capital improvements for civic, convention and recreation centers).

CASHB 352 Mr. Hohman requested that the committee consider a Committee Substitute for HOUSE BILL NO. 352 (relating to the pay and allowances of members of the Alaska National Guard). This committee substitute had been prepared by request of the finance committee. Mr. Degnan moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 352 be passed from committee with a "do pass" recommendation. No objection, so ordered. (6 members signing "do pass", Mr. Wright being absent)

HB 49 The committee considered HOUSE BILL NO. 49 (an Act relating to electric development loans), HOUSE BILL NO. 50 (appropriating \$5 million to Dept. of Commerce), HB 102 HOUSE BILL NO. 102 (an Act relating to loans for commercial fishing purposes), HOUSE BILL NO. 103 (appropriating \$35 million to Dept. of Administration), HB 103 HOUSE BILL NO. 312 (an Act establishing a tourism revolving fund in Dept. of Economic Development), HB 312 and HOUSE BILL NO. 385 (an Act appropriating to the Dept. of Economic Development). The committee had previously heard testimony on these bills but had requested that Mr. Hall and Mr. Wohlforth be asked to testify on their recommendations on these bills which establish revolving loan funds and make appropriations for the funds.

Mr. Wohlforth presented the letter (pages 62-65) which explained the answers to questions the committee had asked in earlier hearings.

Mr. Fink questioned Mr. Wohlforth on some of the statements in the letter. Mr. Wohlforth said that if funding is determined on the basis of need for these three programs, the Department of

Revenue would stand ready to make the determination with the agency handling the loans to see just how much money can be made available.

Mr. Fink noted that in 1970 the legislature had passed legislation which authorized the Dept. of Revenue to invest surplus state funds in state mortgages. Mr. Fink asked why Mr. Wohlforth was telling them he would take a different attitude towards these loan funds when he ignored the legislative direction given two years ago.

Mr. Wohlforth said that as an administrator, at that point in time, he did not feel this was the way to go as long as he had this authority.

Mr. Wohlforth said that these three bills fulfill needs and they stand ready to purchase securities as long as they retain the discretionary power.

Mr. Fink again questioned why this would be handled differently in view of the fact that previous legislation had not been followed. Mr. Wohlforth said that he would assume the legislature would have set up a program analysis on a need basis and determined that these monies should go out and the Department would follow the intent of the legislature to the extent that the state would not get itself into the position of \$3 or \$4 million in loans that they may not be able to liquidate. Mr. Wohlforth said he felt with the budget the Governor had submitted they could be more optimistic about this.

Mr. Fink asked Mr. Wohlforth if he had any intention of changing his mind on the purchase of mortgages. Mr. Wohlforth discussed the Alaska Housing Finance Corporation. He said he could see a real function where they could purchase the notes of that corporation originally or to pledge to purchase their mortgages in the event they fall below par. Mr. Wohlforth said this is a well defined program that should have been going six months ago.

Mr. Fink said the Oil and Gas Division had indicated they did not give projections for more than 5 years as they had not been asked to do this. Mr. Wohlforth said this was not correct and Mr. Eppenbach said they had provided him with projections for more than 5 years. Mr. Wohlforth said this had to be provided for the impact statement filed with 10 year projections for the Department of Interior. He added that the committee should have in their files a copy of this impact statement.

After a brief discussion on revenue projections, Mr. Fink requested that the Department of Revenue supply the committee with a cash flow amortization schedule on veteran loans.

Mr. Warwick asked if they were dissatisfied with the quality of the veteran loans. Mr. Wohlforth said no, there has been no problem.

Mr. Warwick requested that Mr. Hall give the committee his opinion on these bills noting they were interested in getting the banks position on these various loan funds. Mr. Hall said that loans for fishing vessels is a difficult area because of the seasonal and erratic earnings. Mr. Hall indicated there are federal programs available.

Mr. Hall said as far as tourism is concerned the terms for loans are not desirable and the earning factor will not support the credit. Mr. Hall pointed out that they are not objecting to this kind of funding (revolving loan funds).

Mr. Hall said that the members of the banking industry had a great deal of respect for Commissioner Wohlforth but they felt the mortgage loan program is a "little short".

In answer to Mr. Fink, Mr. Wohlforth said that the state has made a tremendous effort with the banks and they have extended \$25,000,000 against an expression of intent that they would get into FHA and VA financing. He said they had given them permission to pledge loans for this purpose. Mr. Wohlforth said he had been somewhat disappointed with the result of this pledge.

Mr. Wohlforth reported on a meeting held in November which was attended by representatives of the World Bank and the Bank of Tokyo and Mr. Fink requested that the committee receive a synopsis of this meeting.

Mr. Hall said that his bank had made an effort to find loans that would qualify for this pledge that Commissioner Wohlforth referred to. He pointed out that there is competition within his bank (such as trust funds, pension programs, etc.) for these mortgages. Mr. Hall noted that Anchorage produces the bulk of the good loans.

Mr. Warwick asked what criteria is used to qualify

for this pledge. Mr. Hall said he could not comment as he did not have this information with him. Mr. Warwick asked if loans for fishing boats could qualify and Mr. Wohlforth said definitely.

There was a discussion on the CD's (6 1/4%) that Mr. Wohlforth referred to and the committee questioned what would happen if the banks should decide to return this money to the state. Mr. Wohlforth said he did not know if Regulation Q would permit this but noted he would look into this and report back to the committee. Mr. Hall noted that his bank was not unhappy about these CD's but that smaller banks may have some problems.

Mr. Wright entered the meeting.

Mr. Fink asked Mr. Hall if he were recommending this type of revolving loan funds. Mr. Hall said he could not say they were or were not.

Mr. Wohlforth noted that the U.S. Dept. of Commerce had sent a news release regarding a new fisheries program that would be under the Farmers Home Loan program. He said he would make this release available to the committee. Mr. Wohlforth said he is sending one of Revenue's investment officers to find out how close this program is to actually "doling out dollars".

Mr. Fink referred to an earlier discussion on HB No. 102 saying that the lobbyist for the Association of Pacific Fisheries had indicated the canneries he represented had about \$70,000,000 in loans to fishermen. The committee discussed this. Mr. Hall noted these loans are probably due on demand. He said that many times the "canneries captivate their captains" in this manner. He added that it was his understanding this is being changed due to new managers in the canneries.

Mr. Warwick referred back to the \$25,000,000 pledge for FHA and VA financing. Mr. Wohlforth said they had offered this to all of the Alaskan banks and all but one or two accepted. He stated that he would have to investigate this and the committee requested information be provided them on which banks had not accepted.

Mr. Fink asked if Mr. Hall thought the current loan program for boats is adequate and Mr. Hall said no.

Mr. Haugen said Mr. Wohlforth's letter indicated a total of \$14,000,000 in loans. He said it is conceivable that after a five year commitment the state will have \$50,000,000 in long term loans. Mr. Wohlforth agreed that this was conceivable. Mr. Haugen noted that the total of these three bills would be \$100,000,000 and that it was possible the legislature would appropriate as much as \$50,000,000 over the Governor's budget. He said he could see the need for the electrical coop loan providing they have collateral and are not too long term.

Mr. Haugen said the fishermen in his area were not anxious for the government to get into loans for new vessel construction. Mr. Haugen said that 99 per cent of the fishermen agree that they have to have some kind of gear limit. He added that the men in his area own their own boats and would not be anxious to see more boats fishing. Mr. Haugen said he would agree to a short term pay off for remodeling but would like to eliminate the new construction part.

Mr. Hall said that Mr. Haugen's remark on the electrical loans being secured and fairly short termed is contrary to the utility concept. Mr. Haugen said he would be willing for the long term concept but felt they should have collateral. Mr. Haugen said it was his concern that the state would get its money into too many different areas.

Mr. Wilson said that he had not had time to prepare all of the comments the committee had previously requested of him. He said he had been asked if there was any possible way to administer loan programs in the state so they could insure against the tremendous losses they have shown. Mr. Wilson spoke on the importance of getting a loan officer who could properly handle this fund. He said there may be some problems with having this position under the merit system. He felt that a well qualified person would be the most important factor.

Mr. Fink referred to Mr. Wilson's remark on "tremendous losses". Mr. Wilson said the Alaska State Development Corporation had losses.

In answer to Mr. Fink, Mr. Wilson said he was not talking about a private enterprise administering the loan programs but was referring to a state agency.

Mr. Wilson read his proposed recommendations for HOUSE BILL NO. 312 (tourism revolving fund) and

noted that he would send the committee a written report on this.

Recess: The committee recessed at 3:40 p.m.

AFTER RECESS

3:55 p.m.

HB 110 Chairman Hohman called the meeting back to order and the committee considered HOUSE BILL NO. 110 (legislative intern program).

Mr. Wright noted the fiscal note on this bill and the committee briefly discussed this.

Mr. Wright questioned the need for paragraph (B) which stated that people in this program "may accept monetary gifts and grants from charitable foundations".

Representative Mike Bradner entered the meeting. He spoke on the need for this bill. He said one of the thoughts of the bill is that this would provide administrative assistants for committee chairmen.

Mr. Ditman pointed out that if paragraph (B) is eliminated then a student who was going to school on a scholarship would not be eligible for this program.

Mr. Wright said he did not think that a student under this program should receive more than \$700 a month. Mr. Warwick felt that this program would just expand the number of employees hired during each legislative session.

Miss Jeanne Ostnes, entered the meeting and said that she is presently under this legislative intern program. She is receiving three credits from the University of Alaska while working for the legislature.

Mr. Bradner left the meeting.

Mr. Wright read information concerning a similar program in North Carolina.

The committee discussed whether or not the university should determine the selection of students for this

program. Mr. Fink suggested that the legislature could make the selection and then ask that the selection be approved by the university.

The committee decided to schedule this bill for more discussion on Wednesday, February 2.

Adjournment: The committee adjourned at 4:25 p.m.

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER POUCH 5 — JUNEAU 99801

January 27, 1972

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

Dear Mr. Hohman:

Responsive to your letter of January 25, 1972, and first by way of general background I am including a summary memorandum dated January 26, 1972 updating the mortgaging holdings of the general fund. Reference to page 2 of said memorandum indicates a total of \$14,103,712.89 in loans held by the fund directly.

Of such loans \$7,274,977.25 in veterans loans purchased principally during fiscal year 1972 comprise the principal portion. You will note that further submissions are expected during the current fiscal year of \$4,000,000 which will result in a total of \$11,274,977.00 in veterans loans held by the general fund by June 30, 1972.

Although we have not made as yet a diligent effort to establish a secondary market for resale of said veterans loans it is our current impression that there exists no such market. Thus it may safely be concluded that such loans are a permanent investment of the general fund which will remain held by the fund until paid down by the respective mortgagees.

Of further note in the memorandum is the expression of anticipated \$5,000,000 purchase of Alaska Housing Finance Corporation Housing Fund Notes. Financial details of this arrangement are not yet complete but currently anticipate securing of said housing fund notes with FHA insured mortgages which, in the event of failure of the Housing Corporation to secure long term bond financing, would be available as security to the State and as marketable as any other FHA insured instrument.

Of primary significance, in this departments' view, in assessing the capacity of the general fund to acquire essentially unmarketable securities is the long term spending plan and projected fund balance for fiscal years 1973-1982 shown on pages 12 and 13 of the FY 73 budget document. The projected fund balances assume North Slope revenues flowing commencing July 1, 1976 which is, of course, not yet a surety. The projections further assume relatively modest annual budgetary increases which are entirely within the legislative prerogative as dictated by urgent social and economic needs of the State. Even with oil

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revenues flowing in FY 77 the fund hits a low of \$199,926,000 in that year; trends up for several years and ends up in FY 82 with a fund balance of \$43,465,000.

Given the uncertainties of revenue forecasting, date of commencement of oil flow of the pipeline and indeed the eventual amount of State revenues to be derived from the pipeline, it appears at the moment almost impossible to set a maximum dollar value available at this point in time for investment in long term non-marketable securities. The benchmark of \$43,465,000 might well be totally absorbed, for example, in veterans loans purchased. This is stated in view of the rapid expansion of the veterans loan program at projected current rates of demand and imminent initiation of the Small Business Loan Program.

Addressing directly HB 312, 49, and 102, and your questions thereon it is the position of the Department that we would favor an initial appropriation to a revolving fund for the making of initial loans and discretionary authority in the Department of Revenue to acquire the securities evidencing the loans made from the various funds. The initial appropriation appears indeed to be a technical necessity as evidenced by the request for a supplemental appropriation for fiscal year 1972 as shown on page 3 of the budget document for the Small Business Loan Program created under Chapter 109 SLA 1971. That is to say, there must be initial capitalization for loans made which can then be sold to the Department of Revenue.

Insofar as mandatory purchases are concerned, it is the desire of this Department to retain discretionary authority as to purchases of the loans. I believe that with the possible limited amount available as mentioned above by the revenue projections in the general fund, that there must be some degree of administrative flexibility for allocation of loan purchases between the various funds. If all loans made from a revolving fund were immediately required to be purchased by the Department of Revenue, I can see the possibility of administrative race for loans to be made from the various funds established under the bills, namely, the Tourism Revolving Fund, the Electric Development Loan Fund, and the Commercial Fishing Loan Fund. Consistent with legislative intent the Department would attempt to maximize its powers to purchase all loans submitted but intelligent internal management with the assistance of other state departments would dictate that flexibility be retained between the ultimate lender, namely, the Department of Revenue and the managing agencies of the funds.

I say this without any implication that there would be foot dragging by the Department by retaining discretionary power to purchase loans. A principal consideration in my thinking is the very substantial volume of veterans loans which we have been submitted and have purchased without exception and with only minimal technical delay since the amendment to the Veterans Loan Act requiring mandatory purchase of said loans. However, I do feel that flexibility is necessary in order to attain and maintain efficient allocation of capital loan resources with other departments for the various purposes specified under the bills.

Very truly yours,

Eric E. Wohlforth
Eric E. Wohlforth, Commissioner

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Encls.

cc: Governor William A. Egan
Commissioner Kadow
Commissioner Henri
Commissioner Ryan
Attorney General Havelock

JAN 26 1 17 PM '72

TO: Eric E. Wohlforth, Commissioner
Department of Revenue

DATE: January 26, 1972

FROM: Richard Alexander *RA*
State Investment Officer

SUBJECT: Update of December 16, 1971 Memo on
General Fund Mortgage Purchases

Veterans Loans

We have purchased a total of \$7,274,977.25 in Veterans loans to date with general fund monies of which \$5,660,994.44 have been purchased since July 1, 1971. This indicates that for the first seven months of fiscal year 1972 we have purchased an average of \$808,713.49 for each month. The Division of Veterans Affairs estimates they will submit an additional \$4,000,000.00 in FY 72 which means we will have over \$11 million in Veterans loans by June 30, 1972.

GNMA Backed Mortgages

To date in fiscal year 1972 we have purchased \$2,807,773.46 in GNMA securities with general fund monies. We have since sold \$500,000 leaving a balance of \$2,307,773.46. We have firm commitments to purchase an additional \$4,000,000 by March 1, 1972 which will give over \$6,300,000.

Alaska Housing Finance Corporation

We are presently committed to purchase \$5,000,000 Housing Fund Notes from the Alaska Housing Finance Corporation for its mortgage loan program.

Loan Incentive Program

No change.

Agricultural Loans

No change.

The following tabulation indicates an estimates of the commitment of the general fund to mortgage loan purposes by June 30, 1972:

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	<u>Ending Balance FY 1971</u>	<u>Purchases To Date FY 1972</u>	<u>Total To Date</u>	<u>Estimated Further Submissions</u>	<u>Estimated Total Ending FY 1972</u>
Veterans Loans	\$1,613,982.81	\$5,660,994.44	\$ 7,274,977.25	\$ 4,000,000.00	\$11,274,977.25
Loan Incentive Program	3,969,108.09		3,969,108.09		3,969,108.09
GNMA		2,307,773.46	2,307,773.46	4,000,000.00	6,307,773.46
Alaska Housing Finance Corp.				5,000,000.00	5,000,000.00
Agricultural Loans		551,854.09	551,854.09		551,854.09
Total	<u>\$5,583,090.90</u>	<u>\$8,520,621.99</u>	<u>\$14,103,712.89</u>	<u>\$13,000,000.00</u>	<u>\$27,103,712.89</u>

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NOTE:

Veterans loans purchased FY 72 to date have increased 250.8% over total FY 71 purchases. If our estimated further FY 72 submissions materialize our increase over FY 71 will be 598.6%. Our total commitment from general fund for loan purposes has increased 52.6% over FY 71. If our estimated further FY 72 submissions materialize our increase over FY 71 will be 385.5%.

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Eric E. Wohlforth

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HOUSE FINANCE COMMITTEE

January 28, 1972

8:40 a.m.

PRESENT All members of the Committee except for Representatives Wright and Warwick. Also present from the Department of Fish and Game were: Commissioner Noerenberg; Mr. Vern Roberts, Director of the Division of Administration; and other staff members.

HB 291 Chairman Hohman called the meeting to order at 8:40 a.m. He asked Commissioner Noerenberg for his comments on HOUSE BILL NO. 291 (An Act relating to vendor's commissions for issuance of fish and game licenses and tags).

Commissioner Noerenberg stated that they didn't know the internal economics or features. He noted that the Department of Fish and Game did sell licenses in lieu of vendors. He added that the Anchorage area was one of the areas they had problems finding vendors for. The bill was an issue developed by the Department of Revenue and he felt the Committee should speak to them.

SB 149am Mr. Noerenberg had comments on SENATE BILL NO. 149 amended. (An Act relating to license and tag fees). This referred to license fee increases. It appeared that it was trying to save General Fund monies and use the Fish and Game Fund. He stated that this bill proposed to raise vendor's commissions, not twice, but maybe four times. He said they were talking about \$300,000 instead of \$75,000. This would be another source draining on the Fish and Game Fund. The Commissioner felt it would make more sense to the whole picture if HB 291 was passed.

Mr. Ditman asked if it would have a serious effect on Pittman-Robertson Funds, and the Commissioner questioned whether it could be done without adjustment. He said there was a lot of dependence on the Fish and Game Fund already, and here they were talking about taking \$225,000 and giving it to vendors. He stressed that there were other needs.

Mr. Fink asked if they were having problems getting vendors, and Mr. Norenberg said it was a serious problem, and a Department of Revenue function. Revenue was finally coming back and negotiating with Fish and Game to take the job after they failed to find someone else. When they took the job it added a lot to their housing and personnel.

Mr. Fink asked if raising the fees would make it easier to get vendors, and the Commissioner thought this was one of the good features of the bill.

Mr. Fink asked if they were going to suggest an amendment to legislation which would separate registration and licensing. Mr. Huizer said they had no legislation at this time, but the Commissioner said that they had had task forces between the Department of Revenue and Fish and Game dealing with this thing. Thus, it had been proposed, but not acted on by the Fish and Game as of yet.

RECESS Meeting Recessed at 8:50 a.m.