

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2533

HOUSE FINANCE COMMITTEE

January 31, 1972

1:40 p.m.

Present: All members except Representative Ditman. Senator Ziegler and John Elliott were also present. Speaker of the House Gene Guess, Senate President Jay Hammond, Steve Weiner and Joe LaRocca, Associated Press, were also present.

HB 526 Chairman Hohman called the meeting to order and announced that the committee would consider HOUSE BILL NO. 526 (supplemental appropriation for the Legislative Affairs Agency, \$235,690). Mr. Elliott had prepared a memorandum in reply to a request made by the committee on this supplemental (see bill file). The committee recessed briefly while copies of this memorandum were prepared.

Bill Assignment Chairman Hohman assigned HOUSE BILL NO. 536 (supplemental appropriation for administration and payment of scholarship loans) to himself, HOUSE BILL NO. 478 (appropriating to Dept. of Highways, \$10,000,000) to Mr. Degnan and HOUSE BILL NO. 547 (an Act to provide financing and development of housing for persons of medium incomes) to Mr. Wright.

HB 526 Mr. Elliott read the memorandum on this supplemental. He said that \$54,800 represents the amount expended for McLean and Associates to conduct the Higher Education study authorized by SCR 26 last session. Mr. Wright said he thought the legislature had appropriated \$50,000 for this. Mr. Elliott said they had not and added that \$57,500 is contemplated for the new contract. Mr. Wright felt the new contract was going beyond the resolution that was passed last year. Senator Ziegler said that this firm has done a tremendous job and that by expending this money now they will be saving the state a great deal in the future. Mr. Elliott pointed out that this has not been spent yet and that by approving this supplemental they will be in essence showing approval. Mr. Guess said that the Legislative Council had decided the one year study would not provide a complete study and they would have to have another year to establish policy.

Representative Bradner entered the meeting.

Mr. Elliott read items 2,3,4, and 5 of the memorandum

Mr. Elliott explained that item 6 is \$20,000 for the Student Guest Program. He said the Council directed this amount be requested in the supplemental as they desire to implement the student guest program this session if possible. Senator Ziegler added that this program has been on the books since 1962 and has never been funded. He said if they are not going to fund it then it should be repealed.

Mr. Elliott noted there is \$6,000 estimated rental of the Cooper Building for the current session. Mr. Warwick asked what space the legislature has this year that they did not have last year. Mr. Bradner explained that the print shop could have been closed down by the fire marshall had they not moved to bigger quarters. The print shop is now located where the Division of Buildings was housed last year. Mr. Bradner said this represents a net gain in space but they have actually lost office space for the legislature.

Mr. Clem Stevens entered the meeting.

Mr. Elliott said they have 2,500 square feet in the Cooper Building but it is not all useable.

Mr. Elliott said the supplemental requests \$5,040 for the card index machines.

He said another item is \$30,000 for committee expenses. In answer to Mr. Wright, Mr. Elliott said this is an arbitrary figure. Senator Ziegler said they have had more and more committees asking for travel funds. He added that they probably will not spend this much but the Council would like to have this authority. The decision as to who will receive these funds is left up to Senator Ziegler, the Speaker of the House and the President of the Senate. Senator Ziegler explained that they have an informal agreement that at least two members of the three must agree before funds are expended. Mr. Guess added that this comes up every year and he felt it was time they recognize this as a necessity.

Senator Ziegler said that he felt the requested supplemental of \$235,000 is very reasonable. He said last year this was \$218,000 and the only big increase is in the amount requested for McLean and Associates.

Mr. Elliott said that \$10,450 is requested for miscellaneous and this is for the purchase of furniture

for the Cooper Building. Mr. Hohman asked if they would have a storage problem this year when the session was over. Mr. Elliott said they would not have a problem unless someone utilized the second floor and he said he had not had any requests for the second floor. Mr. Guess said he thought they would have to face the fact that the legislature would have to build their own building.

Mr. Wright asked if they anticipate any surplus of the \$235,000. Mr. Elliott said at this time he would say they would not have a surplus.

Mr. Fink asked if the session is over in 90 days would they anticipate any more supplementals from Legislative Affairs. Mr. Elliott said they will have to have another supplemental as they were budgeted for 78 temporary employees for 90 days and they have 107 employees.

Mr. Fink referred to a page of the memorandum which listed travel and per diem for the Legislative Council. He asked if there would be any non-Council member who would be paid out of this fund. Mr. Elliott said there are and Mr. Fink requested this information be furnished for the committee.

Mr. Wright requested a list of temporary employees who stayed on at the end of last session.

Mr. Elliott explained that the Levy contract is \$60,000 annually. He said the supplemental includes \$30,000 and the second payment on this contract will come out of their regular budget.

There was a brief discussion on the Student Guest Program.

The committee discussed the \$57,500 requested to continue the McLean and Associates contract. Mr. Elliott said their report had been given to the Council and they anticipated its release or approval by the end of the week. Mr. Fink questioned Mr. Elliott on this. He said he was trying to find out if there was a mechanical error on this and only part of this amount would be required this fiscal year.

Mr. Wright requested a detailed breakdown of expenditures for both the agency and the legislature; i.e., how much on members' salaries, per diem, permanent staff salaries, etc.

Mr. Wright asked about the 107 employees vs. the 97 last year. Mr. Bradner gave an explanation of the

extra temporary employees. He said every committee has exercised its prerogative to hire a full staff. He said two employees have been hired for the Anchorage office and the House Majority Leader has hired an Administrative Assistant. He said they also have two extra girls in Documents.

Mr. Fink said he would like to know the amount needed for 90 days as he would just as soon see this included in the supplemental at this time.

Recess: The committee recessed at 2:50 p.m.

AFTER RECESS

3:40 p.m.

PRESENT: All members except Mr. Ditman. Mr. Joe LaRacca was also present.

HB 8 Chairman Hohman said that HOUSE BILL NO. 8 (An Act establishing a plant materials center, Matanuska Valley) would be under discussion. Mr. Hohman said there was an amendment in two places on the bill: page 2, line 8--changing "site" to "sites" and line 11--changing "land" to "lands".

Mr. Warwick asked if anyone knew the purpose of the bill, and Mr. Hohman answered that it was to develop breeds of plants and seeds specifically for the Alaskan environments.

[Mr. Kerttula, sponsor of the bill, arrives.]

Mr. Wright asked if they didn't already have experimental stations, and Mr. Kerttula answered that what he was talking about was not an experimental station, but a plant material laboratory. This is the next step in experimenting. He added that all of the rest of the states have plant materials laboratories except Alaska. The purpose is to find materials which will grow in hazardous areas--particularly road beds and oil pipeline beds.

Mr. Kerttula felt that a plant materials laboratory was important to Alaska. He said that it had farming significance, but more than that, its significance is in erosion. He stated that the Department of Highways has an opportunity federally to get funding for planting along the highway. They are trying to see what will grow, and are very interested in such a laboratory. Mr. Kerttula said that this would create a type of seed tested in this environment.

Mr. Hohman asked about the other regions in the lower 48, and Mr. Kerttula said there were five geographical areas. He said that they could perhaps simulate climate of Alaska in these regions, but they couldn't simulate latitude. The laboratory would have to be in Alaska in order to develop economically feasible products for selling.

Mr. Hohman asked how these other regions were funded. Mr. Kerttula said that some were federally funded, some state, and some both. Usually the facility is state funded and then the federal comes in and contracts projects.

Mr. Hohman asked the sources of federal support, and Mr. Kerttula answered they were: the U.S. Department of Agriculture; Soil and Water Conservation; whoever took over

the Bureau of Roads, and federal funding for the Department of Highways.

Mr. Kerttula said that because of the different geographical areas within the State, and the single state concept etc., the laboratory in Alaska would have to be state instituted.

Mr. Kerttula said that he had introduced the bill because of his knowledge of the need in the Matanuska Valley.

Mr. Kerttula said that because of the size of the State, they would probably be one main station, with sub-stations around the State.

Mr. Warwick asked if this would be in conjunction with the experimental station at the University of Alaska. Mr. Kerttula said no, the University did experimental work, what he was talking about was practical. However, they would work closely, and the University would supply theoretical input.

Mr. Kerttula said he would give them his background file on this.

ADJOURN Meeting adjourned at 4:05 p.m.

HOUSE FINANCE COMMITTEE
February 1, 1972
1:30 p.m.

PRESENT All members except Mr. Ditman. Mr. Joe LaRocca from Associated Press was also present.

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

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

SENATE BILL NO. 258 (An Act relating to preparation of fiscal notes on bills) -- Mr. Fink

HOUSE BILL NO. 561 (An Act relating to small business loans) -- Mr. Warwick

HOUSE BILL NO. 550 (An Act providing for the issuance of G.O. bonds in the amount of \$140,000,000 for Knik Arm bridge) -- Mr. Ditman

[Mr. John Carter from the Alaska State Employees Association arrived.]

HB 32 Mr. Hohman stated that the packets they had requested on HOUSE BILL NO. 32 (An Act providing pay increments for State employees) had arrived. These were distributed to the members. Mr. Hohman said that HB 32 was under discussion.

Mr. Carter wanted to explain page 3 of the packet. He said that what happened was that some of the people just checked items on the cards that they felt were important, so they had just tallied up the check marks so that the reading would be accurate.

Mr. Carter said that if the legislature saw fit to approve longevity, it would have to be considered under the provision of the 5.5% ceiling. He went on to say that most things, except retirement, came under that ceiling. He didn't know if the merit system came under it or not.

Mr. Carter stated that approximately 1/3 of the membership responded to his survey, and those people ranked longevity high.

Mr. Warwick commented that there was nothing on the survey of priorities regarding across-the-board pay increase. Mr. Carter answered that the reason it was not included was that

survey was to assess their opinions on benefits. The Board had decided to go according to the salary survey recommendations. Mr. Carter said that they had spent the last month working on the survey and he expected that by the end of the week, he could give a presentation to the Committee. He said they were trying to separate salary increases and benefits.

[Mr. Haugen leaves.]

Mr. Wright asked Mr. Carter if he felt the State employees lost ground last year, and Mr. Carter replied that they had remained about even. He went on to say that they were not only trying to keep up with inflation, but also with their competitors--for example, the Anchorage School District. He said that if Washington, Oregon and California were not included as part of their recruiting competitors and only Alaska was included, they would come out less than 50% as well as their prime recruiting competition.

Mr. Carter said that what seemed to happen was that the people who were unionized got the big cash increases, while those public employees who didn't strike lost out.

Mr. Fink told the Committee that Pat Hunt, the Director of Personnel, would like to be heard on this bill. Mr. Hohman said they would have him come in at another time.

[Mr. Carter left.]

[Mr. Haugen came back.]

[Mr. Norman Gorsuch, Deputy Attorney General for the Department of Law, and his Administrative Assistant, Roberta Johnson, arrived.]

HB 503

Mr. Hohman said that HOUSE BILL NO. 503 (A Supplemental Appropriation to the Department of Law for \$270,900) was under discussion.

Mr. Gorsuch said that the total supplemental pertained to three major areas:

(1) Supplemental to provide for additional funding to complete the Cook Inlet Case which was concluded just last week. They are still in the process of collecting final tallies for the expenses of that case. Mr. Gorsuch said they expected that \$37,600 would be enough to cover payment for this case. He added that anticipated expenses such as the expenses involved in the preparation of an appeal and

additional monies for brief printing, were included in that amount.

(2) Increased funds to handle prosecution and civil litigation functions. The prosecution function would use \$46,700 of the \$86,000. The rest would go towards paying back civil union monies for travel. He explained that there had been a great many trips on the Pipeline litigation and the Native Land Claims litigation. He said that certain quarters propose technical amendments to the Native Land Claims Bill, so they may have to send someone back to Washington again.

(3) The third area of expenditure is the big one. He said there may be quite a substantial increase in expenditures for the Department in the event Native Land Claims settlement becomes a litigation as they will be faced with a very real problem since they are required to engage in litigation. There would also be an increased demand for legal services by the Division of lands. This is why they request a special litigation fund--so that in the event the money is not needed, it will lapse. Mainly it is the way of being prepared for these expenditures if they do arise. They intend to continue this fund through the next fiscal year.

Mr. Hohman asked if funds for special litigation were included in their budget request. Mr. Gorsuch said yes that they were asking for \$150,000 for it in HOUSE BILL NO. 503 and they were asking \$100,000 to be included in next year's budget.

Mr. Hohman asked if they anticipated spending these funds before the end of this fiscal year, and Mr. Gorsuch answered they would be nice to have before the end of this year, but he couldn't say whether it would be spent or not. He added that this would be the maximum amount they would expect to spend.

Mr. Gorsuch said that one reason they were reducing the figure for next year was because they have requested additional positions and funding for attorneys in their regular budget, and this would make more manpower available. He went on to say that next year they were expecting more problems in the areas of Native Land Claims and Environmental protection, so they are requesting two additional positions--one in Anchorage and one in Juneau--and two additional secretaries to back them up. The cost associated with the two attorney positions and clerical support and necessary equipment is \$95,000.

Mr. Hohman commented that they were providing for the same need next year to the tune of \$200,000, and Mr. Gorsuch

said that was true, but that as the Department of Natural Conservation became busier, they were going to need more service from the Department of Law.

Mr. Fink asked how many times they had made supplementals on the Cook Inlet Case. Mr. Gorsuch said the case was filed in 1967, and he thought last year was the first time they had appropriated an amount of money--\$50,000--specifically for that purpose.

The Committee discussed this and seemed to remember other supplementals. Mr. Hohmar said they would have this checked.

Mr. Fink added that he didn't object to spending the money, he just wanted to make sure it was spent there.

Mr. Fink questioned a statement in their cover material which said that the recent Alaska Supreme Court decision that requires a jury to be chosen from the locality of which the accused individual is a resident has increased the number of trials to be set in locations outside the major cities. Mr. Fink said that this could occur under the statute, but it hasn't. He explained that in Nome and in the Chain, the defense attorneys decided they didn't want trials. Since it hasn't happened, he didn't understand the increased costs for it under Special Litigation.

Mr. Gorsuch explained that the rising costs came from other sources plus the magistrates were running circuit all of the time.

Mr. Fink said that since they knew last year they would have a District Attorney in Kenai, they should have built the cost in.

Mr. Gorsuch said that they had troopers, magistrates, and Fish and Game people in places where they didn't have them before, which resulted in more people being caught which resulted in increased litigation costs.

Mr. Fink said he would like evidence that they actually have more people traveling than before.

Mr. Fink stated that the Chief Justice had made a public statement in front of the legislature that the rule which stated that prosecution be undertaken in the election district of which the accused is a resident was no longer applicable because of reapportionment.

Mr. Gorsuch said that when the Chief Justice said that he

scheduled Grand Juries on a regular basis in Kodiak and Kenai. He explained that when they have a setting or calling by the Court of Grand Juries where they didn't have Grand Juries meeting before, it would necessarily increase expenses.

Mr. Gorsuch said that the judges were also going into areas on a regular basis, so that had the effect of increasing expenses.

Mr. Gorsuch said that since the recent Supreme Court Rulings were requirements, they had to be followed. He said that cities found it too expensive, so they have been charging their expenses to the State which has increased expenses. The State is trying to keep as much out of the court system as possible. They started on December 1 on a trial basis to see how many drunk in public cases they can keep out.

Mr. Gorsuch said that they couldn't foresee all of the special litigation cases that would come up. For example, the Governor decided he wanted them to interfere in the Pipeline suits, so they had to make the expenses.

Mr. Hohman asked if they had a time they expected their final billings on the Cook Inlet Case, and Mr. Gorsuch said that hopefully within the next few weeks they would be in. He said he would give the Committee a copy of them, when they were received.

Mr. Fink requested a listing of what was spent on the special litigation cases.

RECESS

Meeting recessed at 3:10 p.m.

AFTER RECESS
3:30 p.m.

Present: All members except Representatives Ditman, Degnan and Warwick. From the Department of Public Works Commissioner Easley, Mr. Esmond and Captain Lockert were also present. Mr. O'Clary, Inlet Boatmen's Union, was also present.

HB 505 Chairman Hohman called the meeting to order and said the committee would consider HOUSE BILL NO. 505 (\$900,000 supplemental appropriation to the Dept. of Public Works).

Commissioner Easley spoke on the need for this supplemental. He said in July, 1971 it became apparent that they were going to have some problems. He said in September they did an in-depth analysis which indicated they had two alternatives. They could ask for a supplemental or shut down ten ship months to conserve funds. Commissioner Easley said after careful deliberation with the Governor they decided it was in the best interest of the state to come in with a supplemental. He added that their decision to come in with a supplemental request was based on the absolute necessity of Southeast on the system for transportation as well as unemployment which would result from a shutdown.

Mr. Wright asked what the supplemental was last year for this department. Commissioner Easley said this was \$1.1 million. In answer to Mr. Wright, Mr. Esmond explained that a large portion of this increase last year was due to the new union contract. Mr. Esmond added that their budget for the next ten year period was adjusted to include overtime at 10 per cent.

Mr. Haugen said that the amount of the requested supplemental is actually equal to the cuts made last year as a result of the Governor's Revised Budget and the final figure established by the legislature.

Mr. Fink asked why the budget was so far off on overtime. Mr. Esmond said these were bad estimates on their part and also due to the fact that part of this overtime is under the new union agreement.

Mr. Fink pointed out that the revenue projections were

down \$1,000,000 and with this added to the supplemental there is actually a \$2,000,000 impact on the general fund. Commissioner Easley agreed but pointed out that their revenues are anything but a "steady curve".

Mr. Degnan entered the meeting.

Mr. Hohman pointed out that the House Allowance for Public Works was the same as the Governor's Revised Allowance. He said this was changed in free conference and the figure set was \$360,000 less than the Governor's Revised Allowance.

Chairman Hohman stated that the Free Conference Committee Allowance was \$1.1 million less than the department's request.

Mr. Fink noted that the revenues had been projected to increase by 40%, but in fact only increased by 20%. Commissioner Easley stated that the department's big disappointment in revenues the past year were from the Southwest System; there was a very marginal increase in revenues from the M/V TUSTUMENA. Mr. Fink stated that revenues from the Southwest System were short by \$140 thousand and from the Southeast System by \$800 thousand.

Mr. Haugen noted that in all areas of travel during the past year, revenues were down because of the recession and a subsequent loss in tourism.

Commissioner Easley stated that the systems carry approximately 70% of their passenger loads in the months of May, June, July, August and September.

Mr. Fink noted that the supplemental request showed a savings of \$509 thousand due to the MALASPINA being in drydock; he asked Commissioner Easley if this long period out of service would harm the system. Captain Lockert stated the harm done to the system was in the shortened amount of time the schedule allowed for normal vessel layup and repairs--this winter season there will be only 22 working days per vessel versus 6 weeks in prior years.

Commissioner Easley stated that the department is considering laying up one vessel for the entire winter season in 1973 on the basis that it is not needed and will constitute a savings to the system.

Mr. Haugen asked from which system would the vessel be cut; Commissioner Easley replied from the Southeast System. Mr. Fink asked if they would cut down on the service provided during this period or cut down on drydock time; Commissioner Easley stated they would cut down on service. Commissioner Easley further explained that this decision would depend in part on whether the state was successful in obtaining a waiver for use of the M/V WICKERSHAM between Alaskan ports; he stated if the waiver were obtained, service would not be affected to any great extent. He said that if the waiver is not obtained, the department will probably not take one vessel out of service.

Chairman Hohman asked why the revenues from the M/V TUSTUMENA were low. Commissioner Easley stated that the tourist traffic on the route just had not materialized; he felt this was due to two factors-- (1) lack of advertising on the part of the department and (2) the fact that it was a rough voyage. He stated that if the traffic did not materialize, the route would have to be changed; the department should have the information on which to make this decision within 30 to 60 days.

Mr. Warwick entered the meeting at 3:55 p.m.

Mr. Haugen stated that it would be difficult to take away the service that the TUSTUMENA provided to the City of Kodiak unless Sea-Land called at the port; he was of the opinion that that would take care of the traffic since most traffic to Kodiak is freight rather than passengers.

Mr. Fink asked if there was not way to cut down on the 10% overtime figure. Captain Lockert stated that the labor contracts dictate that amount; the department had previously used a 6% figure which was inaccurate.

Commissioner Easley explained further that there was not "routine" overtime involved in this figure-- all overtime is for extraordinary causes. Mr. Haugen asked if the overtime figure included fringe benefits. Mr. Esmond stated that fringe benefits were separate from overtime.

Mr. Haugen stated that the cost of fuel oil was a substantial part of the supplemental request. Mr. Fink asked if there was any possibility of getting cheaper fuel through Alaskan refineries. Commissioner Easley stated that this was a possibility; he said that in Cordova the generating plants have a much cheaper rate than in the past; the department may be able to get cheaper fuel when Tesoro is set up in Juneau.

Mr. Fink asked if the department could get cheaper fuel in Cordova for the BARTLETT. Commissioner Easley stated that fuel contracts are put out to bid by the Division of Supply every 2 years; Tesoro was not in a position to bid when the last contract was awarded. He explained that the vessels are fueled at Seattle, Skagway, Homer and Cordova; fuel cannot be taken on when passengers are on board. Commissioner Easley also stated that Standard Oil had built a tank farm facility in Skagway and the state had a fifteen year contract to buy fuel from them in turn for their building the facility. The state has an opportunity to buy the facility every five years. The price of the fuel is dependent upon the refinery price at Richmond, California.

Mr. Wright asked if two crews would be laid off as a result of the MALASPINA being lengthened. Captain Lockert stated that this was as yet unknown, since the crews might choose to use up the backlog of their vacation time. He stated that the labor contract did not call for any severance pay. Mr. Wright asked if, under normal circumstances, ferry employees were compelled to use their leave. Captain Lockert stated that they were compelled to take so much leave per year unless the department was unable to replace them.

In answer to a question from Mr. Warwick, Commissioner Easley stated that passenger rates had risen approximately 10% since April, 1971. He explained the difference between summer and winter rates (driver of a vehicle goes free during winter season).

Mr. Wright asked what the annual subsidy to the ferry system was. Commissioner Easley stated it is at present \$4.5 million, and would increase to \$5 million in 1973; he stated the department would like to establish \$5 million as the absolute maximum. The smaller ships have a higher cost/revenue ratio than the larger ships, so the subsidy will in some degree depend on the direction in which the system develops.

Mr. Fink asked what the debt service for the ferry system was. Commissioner Easley stated that he did not have that information with him, but that it was mostly from G.O. bonds.

Mr. Fink asked how many times a week could he go either direction on the ferry from Juneau. Captain Lockert stated that you can travel from Juneau either direction 4 times per week in the winter and six times per week in the summer.

Mr. Esmond stated that another problem which the department could not forecast as being a result of the lay-up of the vessel MALASPINA for five months was the possible loss of the technical crew members. He said that it might be necessary to recruit for these positions outside the state when the vessel is put back into service.

Mr. Fink asked if the department had a chart available showing the traffic on the system. Commissioner Easley stated that the department had a preliminary traffic report with charts that could be made available to the Committee; Mr. Fink stated he would like to see the report.

Chairman Hohman asked that the department also prepare a breakdown of the subsidy to the Marine Highway System since its inception.

Commissioner Easley stated that he would supply the Committee with the information requested and that the Tippetts, Abboett, McCarthy & Stratton (TAMS) report on the ferry system would also be available about March 1.

ADJOURN-
MENT

The meeting was adjourned at 4:22 p.m.

HOUSE FINANCE COMMITTEE

February 2, 1972

2:15 p.m.

PRESENT All members. Representative Genie Chance was also present.

HB 504 Chairman Hokman called the meeting to order at 2:15 p.m., and stated that HOUSE BILL NO. 504 (A supplemental appropriation to the Department of Health and Social Services) would be under discussion.

He added that the bill was not yet in committee, but would be referred to them when the Health, Welfare and Education Committee finished with it. The purpose of the meeting was to give Glenn Vernon a chance to present the committee with materials he had regarding the bill.

Mr. Vernon passed out his materials, and explained that he had requested back-up from the Department of Administration for HB 504, but had received back-up for the Agency's original request which had been developed in November. Since that time the Governor had revised the figures. There was a \$1.7 million difference in Social Services. Mr. Vernon said that his document only attempted to show the difference between the two-- he had not attempted to go through the back-up as presented by the Department of Administration.

Mr. Hohman requested the Committee to go over the materials and they would discuss them at a later time.

RECESS Meeting recessed at 2:30 p.m.

AFTER RECESS

3:15 p.m.

PRESENT All members. Mr. Bob Thomas, Deputy Commissioner for the Department of Education, was also present.

HB 506 Chairman Hohman said that HOUSE BILL NO. 506 (Supplemental appropriation to the Alaska Educational Broadcasting Commission) would be under discussion.

Mr. Thomas stated that he had back-up of costs which Mr. Bob Arnold, the Executive Director of the AEBC had prepared. These were distributed to the Committee.

Mr. Thomas said that the \$37,500 in federal grants should not have been included in the request because the federal funds for construction go directly to the constructing agency.

Mr. Hohman said that \$37,500 was the amount requested by Mr. Northrup for operation of the Bethel radio station. Mr. Thomas replied that it was construction money and was to be a grant to Bethel Broadcasting instead of going through the legislature.

Mr. Ditman asked if the station got the \$37,500, and Mr. Hohman answered that they'd gotten some monies, but that \$20,000 was contingent upon the FCC inspecting the tower.

Mr. Hohman was pretty sure that the \$37,500 amount was put into the budget for operational costs. Mr. Thomas stated that that was the understanding at the time, but that it was a misunderstanding because the funds were available for construction. He added that they were probably going to get them, but that it didn't go through the legislature anyway--it was a different source of funds.

Mr. Hohman had a question regarding the new position and the establishment of it. He said that the budget request from the Commission for this fiscal year included it, but it was thrown out by Budget and Management and consequently by the legislature. He wondered how it had been included.

Mr. Thomas said that the position was on a contractual basis. He stated that it was a budget amendment that went through the Governor and the Budget and Audit Committee to increase contractual services for that purpose. It came from the General Fund.

Mr. Hohman said that the engineer was on contract to Bethel Broadcasting and part of his salary was paid from the Bethel Broadcasting fund. His information was that the position was needed in order to implement television and radio programs when in fact they were paying for that man on a contractual basis. He stated that the Commission would get an additional \$12,000 for contractual services. He thought that there might be a problem with double funding. He thought that there might not be valid rationale because the demands for salary for this man are placed not on AEBC, but rest in part on Bethel Broadcasting.

Mr. Thomas commented that the original budget did not contemplate establishment of radio stations so soon. He said it was more of a moral mandate to allow the additional position. He said the legislature had the responsibility to supply manpower to operate the program.

Mr. Hohman asked Mr. Hogan to review the program revision requests that the Budget and Audit Committee had made during the interim.

RECESS

Meeting recessed at 3:55 p.m.

AFTER RECESS

4:00 p.m.

PRESENT All members. Colonel Byington, from the Department of Military Affairs was also present.

HB 515 Chairman Hohman said that HOUSE BILL NO. 515 (Appropriating for extraordinary expenses incurred by the state as a result of airplane crash of September 4, 1971) would be under discussion.

Mr. Hohman asked for an explanation of these expenses, and Col. Byington said that they had considerable expenses in getting the armory back into condition after its use as a morgue. He said the stench was terrific and got into the cracks. He said that they had hired a sanitation service from Ketchikan after the 4th day, and that was a pretty heavy bill. Then they had to purify refrigerated vans they had borrowed from a local firm to keep bodies in. In the armory they had to resand the floors and repaint the inside, after using germicides. Then, there was state active duty pay for guardsmen during that period. After the third day they put what was required of them on temporary hire which amounted to \$5,000 or \$6,000.

Mr. Hohman said he would like to have a breakdown on how much money was spent on the Ketchikan firm and other bills. These would be used as back-up for the bill.

HB 507 Mr. Fink asked if they could take up HOUSE BILL NO. 507 (Supplemental appropriation to the Department of Military Affairs). He wanted to know if this supplemental only covered the debt that exists now for reenlistment bonuses under the old law. He was worried that if the new law--HOUSE BILL NO. 346 (Alaska National Guard reenlistment bonuses)--passed more money would be required.

HB 346

Mr. Fink knew that the Committee was apparently in favor of the new law, but he reiterated that HB 507 wouldn't cover the provisions of HB 346. Mr. Fink suggested putting an effective date like July 1, 1972 on HB 346 and then it wouldn't effect HB 507.

The Committee decided to adopt the effective date along with the prior amendments and put everything together as a Finance Committee Substitute for HB 346.

The Committee also decided that the language in HB 507 was bad so they would redraft that too.

ADJOURN Meeting adjourned at 4:40 p.m.

HOUSE FINANCE COMMITTEE
February 3, 1972
10:20 a.m.

Present: All members. Carl Johnson, Director of Division of Buildings, Dept. of Public Works, was also present.

HB 509 Chairman Hohman called the meeting to order and announced that the committee would consider HOUSE BILL NO. 509 (supplemental appropriation of \$78,800 to Dept. of Public Works, Division of Buildings).

Mr. Johnson explained that \$25,000 of this supplemental is for work done to the Governor's Mansion during the Hickel Administration. He said this has been held on the books since the work was done. He said at the same time Governor Egan has requested an additional \$25,000 for modifications on the second floor of the mansion. He said they have another \$25,000 from last year which was to be used for work on the garage and this will be added with the requested \$25,000 making a total of about \$50,000 for the second floor modification. Mr. Johnson explained that the second floor is "quite ancient" and needs to be remodeled.

Mr. Johnson said the Juneau Museum was turned over to the State by the Centennial Commission and the Division of Buildings was requested to do a certain amount of landscaping by Mr. McVay who was at that time the Deputy Commissioner of Administration. He said when it came time to pay for this they did not have the money. Mr. Johnson said that \$27,000 will clear this off of the books.

Mr. Johnson said another item requested in the supplemental is \$2,860.90 for the Fairbanks' Operation Maintenance Supply Building. He said that this was 100 per cent federally funded but there were modifications to the building and the federal government did not pay the architectural fees for the modifications.

In answer to Mr. Ditman, Mr. Johnson said that there is \$25,000 left in the Governor's budget for work that was to be done on the garage.

Mr. Johnson explained that \$25,000 was needed to clear up work which was done during the Hickel Administration. Mr. Warwick asked why they had

waited so long to come in with this request. Mr. Johnson said the state has paid this bill but their books are out of balance. Mr. Johnson said they took this out of other funds at the time the bill was due. Mr. Ditman asked which fund this was taken out of and Mr. Johnson said the maintenance money. Mr. Warwick asked if they had any other charges that were handled in this way. Mr. Johnson said no, this will "pretty well clear it up".

In answer to Mr. Warwick, Mr. Johnson said that the \$27,000 used for landscaping of the museum had also been taken out of the maintenance fund. Mr. Wright said then the maintenance fund would receive about \$50,000. Mr. Wright asked what would happen if this fund was not repaid. Mr. Johnson said they have kept moving this amount forward each year. He said this was illegal and that is why they would like to straighten it out.

Mr. Hohman asked how much money has been spent on the mansion for remodeling. Mr. Johnson said \$225,000 and with this additional \$50,000 will make a total of \$275,000 and he felt the mansion would be in "good shape" after this.

Mr. Warwick questioned the architectural fees for the Fairbanks OMS Building. Mr. Johnson explained that the federal government paid the basic architectural fees for the original contract but they did not pay the fees on the modifications. Mr. Wright asked the cost of this additional work. Mr. Johnson said it was about \$75,000 and this consisted of paving an apron and fencing.

The committee discussed the amount requested for the Governor's mansion. Mr. Fink asked if Mr. Johnson was sure that they would get the \$25,000 from the Office of the Governor. Mr. Johnson said yes, this is already encumbered. Mr. Hohman asked when they plan to begin the work on the mansion. Mr. Johnson said as soon as the weather breaks they will begin working.

Mr. Wright moved and asked unanimous consent that HOUSE BILL NO. 509 be passed from committee with a "do pass" recommendation. No objection, so ordered.

Recess: The committee recessed at 10:45 a.m.

AFTER RECESS

11:15 a.m.

Present: All members except Mr. Wright. Mr. E. Wilson, Deputy Commissioner, Dept. of Commerce, was also present.

HB 561 Chairman Hohman called the meeting to order and said the committee would consider HOUSE BILL NO. 561 (an act relating to small business loans). This bill repeals AS 45.95.020(c):

"No loans authorized by this section may be made unless the commissioner of commerce is satisfied that no money is available to the applicant from private lending institutions on a guaranteed basis as set out in (b) of this section."

Mr. Wilson said that this language was necessary because the veterans program was limited to an amount of money; however, with the passage of HOUSE BILL NO. 22 (SLA 1971, Chapter 109) which provided an unlimited amount of funds this language is no longer necessary.

Mr. Wilson said that HOUSE BILL NO. 561 came about as a result of his testimony with the House Commerce Committee.

Mr. Wilson had several proposed changes to HB No. 561 which he read to the committee (he agreed to furnish a written statement on these proposals).

Mr. Wilson said there was a problem regarding the \$1,000,000 revolving loan fund. He said they had tried to originate a note from the Dept. of Commerce to Dept. of Revenue for this and the Attorney General had said this was not legal because there was no security. He said at the time they prepared their budget they were under the impression that they could get the note consummated so they did not request capitalization to establish this revolving fund in their FY 73 budget. He said when they realized it was not legal to originate a note they requested a supplemental for \$120,000 until the legislature convened and they could get the intent cleared up. Mr. Wilson said they do not feel that they need a \$1,000,000 revolving loan fund but they do need more than the \$120,000 requested in the supplemental. Mr. Wilson suggested that the amount should be between \$350,000 and \$500,000.

Mr. Wilson said there was a question on the amount allowed to the Dept. of Commerce. He said the veterans program is now 1/2 of 1 per cent. This was briefly discussed by the committee. Mr. Fink suggested that Mr. Wilson send his written proposal to the committee and that possibly the committee might consider a committee substitute for this bill.

HB 555 Chairman Hohman assigned HOUSE BILL NO. 555 (an Act establishing the official state plumbing code) to Mr. Warwick.

Recess: The meeting recessed at 11:30 a.m.

FINANCE COMMITTEE
February 72
AFTER RECESS
2:05 p.m.

PRESENT All members of the Committee except Representatives Wright and Ditman. Mr. John Havelock, Attorney General, and Mr. Warren Wiley, Administrative Assistant to the Governor, were also present.

Chairman Hohman called the meeting to order at 2:05 p.m.

HB 516 Mr. Hohman said that HOUSE BILL NO. 516 (Appropriation to Office of the Governor for payments pursuant to Alaska Native Claims Settlement Act) would be under discussion.

Mr. Havelock said that HB 516 provided a substantial appropriation to fund the 2% over-riding provision for the balance of the current fiscal year. The Act went into effect on December 17 and the 2% sharing provision goes into effect as of that date. The Department of Revenue made a decision under Section 9 of the federal act as to classes and compared that with the estimates of revenues and came up with the sum the State will be required to pay to the Alaska Natives Fund under the Settlement Act. He said that the Committee might be aware of a letter the Governor has sent to Secretary Morton requesting that the State be permitted to pay the appropriation and the subsequent appropriation directly to eligible native corporations as determined by the Secretary and not directly into the Alaska Native Fund. There has been no response to the letter as of yet.

Mr. Warwick asked the type of payment, and Mr. Havelock said it was quarterly.

[Representatives Degnan, Orbeck and McVeigh arrived.]

Mr. Haugen asked if the State was liable for these payments, and Mr. Havelock felt that we are. He said that the Settlement Act provides a period of time in which the funds can be brought. If there is no contract--and there isn't--the State is obliged to pay it. If the State doesn't pay this sum, the Secretary of Treasury is instructed to withhold a like amount from the federal revenue sharing programs in which the State participates.

Mr. Fink asked what would be wrong with the federal government taking out the money when the State wanted them to. Mr. Havelock replied that as to the first period and in view of the desire to make sure these monies are made available in the interim period before enrollment is completed, there would be a substan-

tial lag in allowing it to be done that way. He said that frankly he had never even thought about it and how the Secretary would go about it. There would be a loss of interest to both the State and the natives participating, which is another reason why the State doesn't want to pay into that fund.

Mr. Fink said that if there was a quarterly payment due January 1 and they didn't pay it, the federal government probably wouldn't tax them for the money until six months later.

[Sen. Lewis arrives.]

Mr. Havelock said they hoped that Congress would elect clean-up legislation to take care of the problem.

[Rep. Orbeck and Sen. Lewis leave.]

Mr. Havelock continued saying that any action on the State's part would end in delaying the payment--which would be considerable. He wasn't sure the natives should be the ones to suffer because of careless drafting of the Act in Congress.

Mr. Fink asked if they had ever made a payment in a blanket amount like that. He said the way this read was that if they didn't appropriate enough the additional monies would be appropriated.

Mr. Havelock said he didn't know of any other provisions. He explained the reason that provision was put in was because they couldn't anticipate receipts in advance. He said they could probably put in an appropriation for a much larger amount and then if anything was left over, they could give it back, but they thought this made better bookkeeping sense.

Mr. Fink said that if they were wrong between now and June and they needed money in April or May, in any case they could have the money by July. Mr. Havelock said that was right, the money would be appropriated to operations under the next fiscal year.

[Rep. Orbeck and Sen. Lewis arrive.]

Mr. Havelock said that if the general appropriation act would allow them to use the monies for the next fiscal year and also for this fiscal year, the problem would be taken care of.

Mr. Fink asked if there was any reason they couldn't write a budget like that and Mr. Havelock didn't know of any.

[Mr. Ditman arrives.]

Mr. Warwick asked what the 2% overriding royalty was made up of, and Mr. Havelock said that it was 2% of gross value of receipts from TA lands and 2% of bonus receipts on TA lands excluding lands received in December 69 North Slope sale. It also included 2% and gross value and receipts from any land mineral rights from land patented after the effective date of the Act. He explained that 2% of the gross value was going to come to more than 2% of State receipts, but rather than attempt to justify that, the State ought to talk to the Department of Revenue on how they computed that.

Mr. Fink asked about the federal lands, and Mr. Havelock said those were the 9D monies and they took them out directly. He said there have been some suggestions that money that otherwise would have gone to the State should have been included in the bill.

Mr. Fink asked when they anticipated the first payment to be, and Mr. Havelock said four months after the effective date of the Act.

[Mr. Haugen leaves.]

Mr. Fink said that would mean only one payment made this fiscal year--in the middle of April. The one after that would be the middle of July.

[Mr. Joe LaRocca from AP arrives.]

HB 511

Mr. Hohman said that HOUSE BILL NO. 511 (Supplemental appropriation for participation in the Western Nuclear Compact) would be under discussion.

Mr. Wiley explained that the amount for the Western Nuclear Compact for this fiscal year had inadvertently been deleted from last year's request. This had been done because at that time the Governor's Office thought they would terminate membership in the Western Nuclear Compact. After the final appropriation was passed, they found that the State of Alaska was locked into the Compact through legislation which requires two years notice of intent to drop out of the Compact.

Mr. Hohman asked if they had given that notice, and Mr. Wiley said no. He said that last summer a representative of the Compact had been in Alaska and they had found some advantages and benefits to the State through the Compact.

He went on to say that the name Western Nuclear Co. did

not mean--as many people expected--that they were doing research in case of nuclear attack. It is not politically based research they are involved in.

Mr. Wiley added that Lt. Governor Boucher is the State's representative on the Compact.

Mr. Fink asked if they had any intention of dropping out, and Mr. Wiley said they didn't.

Mr. Wiley said the Lt. Governor had been involved in extensive conferences. They were researching things like an energy injection proposal. He said the Compact was now getting more into the study and feasibility of alternate sources of power and that may have an impact on Alaska in the future.

[Mr. Haugen and Mr. Wright arrive.]

Representative McVeigh had copies of pamphlets on the Western State Nuclear Board. He explained that Lt. Gov. Boucher was appointed in early 1971, but apparently there were no files in the Office of the Governor showing this appointment. He said that the previous Lt. Governor was appointed by the Governor and he suspected the Lt. Gov. Boucher had just taken over as representative in view of his position. However, Mr. McVeigh stressed that the law clearly states that the Governor should appoint a member to the Board.

Mr. McVeigh stated that there were 11 western states who are members of the Compact. He said the pamphlet he had showed pretty much what the Compact does in relation to advancement of nuclear energy as an energy source.

[Mr. Warwick and Mr. McVeigh leave.]

Mr. Haugen moved and asked unanimous consent that HB 511 be put out of Committee with a DO PASS recommendation. No objection, so ordered.

CSSB 98am & HB 555 Mr. Hohman said that COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 98 amended (Establishing the official state plumbing code) and HOUSE BILL NO. 555 (Establishing the official state plumbing code) would be up for discussion.

Mr. Orbeck and Senator Lewis, sponsors of the bills, were present to testify. Mr. Orbeck said the bills were identical except that his had a provision for exemption of areas with populations under 2500.

Mr. Haugen asked if this required them to have a licensed plumber and Mr. Lewis said no, just a minimum standard.

Mr. Lewis stated that the State does have a code right now, but it is a patchwork thing and takes a lawyer, a plumbing contractor, and a technical engineer to figure out what is legal. The code that they are proposing is the most lenient and up-to-date one they could come up with.

Mr. Orbeck said that the Commissioner of Labor had testified on the Senate Bill last year and said there would be no additional cost to the State. The Senate also gave a LETTER OF INTENT that there would be no additional funding.

Mr. Hohman noted that they had a fiscal note from the Commissioner of Labor backing up the bill, and it called for \$54,000 for this year and \$80,000 for next year.

Mr. Lewis explained that the fiscal note was for additional inspectors, but they were really not necessary because there were enough inspectors to do the job on the their present inspection staff. He could certainly put additional inspectors on, but he doesn't need them.

Mr. Lewis said all the code would do was set standards of equipment and materials used.

It was moved and unanimous consent was asked to pass out CS SB 98am and HB 555 with INDIVIDUAL RECOMMENDATIONS. No objection, so ordered.

HB 508

Mr. Hohman said that HOUSE BILL NO. 508 (Supplemental Appropriation to the Office of Governor, Public Defender Agency) was up for discussion.

Mr. Wiley explained that the request was actually brought about by the recent Supreme Court Decision requiring that misdemeanants shall have the right to be represented by counsel. If they don't have their own resources, they have to be defended by the Public Defender Agency.

Mr. Wiley said this would allow them five positions they need to take care of the workload they have now. This includes three new attorneys, one investigator and one secretary. Since the Supreme Court decision the Public Defender Agency has had an increase of 200 new cases of the type they would not normally handle.

Mr. Fink thought they ought to have the Public Defender come in on this. Mr. Wiley said that the Public Defender was due back in town the next day and he would give him the message.

[Mr. Wiley leaves.]

CSHB 507

Mr. Hohman said that he had the FINANCE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 507 (Supplemental Appropriation to the Department of Military Affairs).

Mr. Wright moved that the bill be put out with a DO PASS recommendation, and the motion carried with 4 Do Pass and 2 No Recommendation.

CSHB 346 Then Mr. Hohman said that FINANCE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 346 (Alaska National Guard reenlistment bonuses) was up for vote.

Mr. Wright moved that the bill be put out with a DO PASS recommendation, and the motion carried with 4 Do Pass and 2 No Recommendations.

ADJOURN Meeting adjourned at 3:35 p.m.

HOUSE FINANCE COMMITTEE

February 4, 1972

10:55 a.m.

Present: All members except Messrs. Haugen and Ditman.
Dr. James Irany, Anchorage Community College, was also present.

HB 110 Chairman Hohman called the meeting to order and said that the committee would consider HOUSE BILL NO. 110 (legislative intern program).

Dr. Irany said that he had worked with the Governor's Intern program. He noted this program had recommended that 32 people be placed in different state departments. He said they were paid approximately \$600 - \$700 per month. He added that the guidelines of this program were so broad -- anybody from age 17 to 19 could apply -- that they were bombarded with applications.

Dr. Irany felt with the legislative intern program they must have someone available to talk with the interns and help them with various problems, i.e., housing in Juneau. Dr. Irany felt that the program was very worthwhile and recommended it be applied in any facet of government.

Dr. Irany felt that the orientation for this program was very important. He said that a successful program depends on how well you prepare the participant.

Mr. Wright asked if Dr. Irany had any suggestions on how they could select the interns. Dr. Irany said if this is left up to a commission he felt the commission should have two members from each house on it.

Dr. Irany said he felt the orientation program should be held in Juneau so the interns could become acquainted with the workings of the legislature.

The committee discussed how much the interns should be paid. Dr. Irany suggested that their salaries be paid through the college as a student aid program thus eliminating the need for taxes. He said this would "stretch" the budget and also mean more money for the student.

Mr. Wright suggested that this program be limited to students who have one year of college. Mr. Hohman was opposed to this. He felt that by making this

restriction they would be leaving out a lot of very capable kids. Mr. Wright felt that the Governor's intern program was covering what Mr. Hohman was talking about. Mr. Wright said he was trying to get around the idea of taking a student right out of high school and cranking him into the program. Mr. Hohman felt if they were going to set up a commission to make the selections this should be left up to the commission. He did not feel it was necessary to require that applicants have one year of college. Mr. Warwick felt that this program is an academic program and that the student should have shown initiative by going to college. Dr. Irany said he felt the legislature would have to decide what sort of program they want. He pointed out that they will need a coordinator for the program. Mr. Hohman said he felt that they should not exclude people because they have not had a year of college. He gave several examples of the type of person he was talking about. Mr. Wright suggested that Mr. Hohman might come up with a proposal that would include the type of person he was talking about. The committee decided they would give this bill further consideration and it was returned to the files.

Adjournment: The meeting adjourned at 11:30 a.m.

HOUSE FINANCE COMMITTEE

February 9, 1972

11:10 a.m.

Present: All members. From the Dept. of Administration, Commissioner Henri, Deputy Commissioner Freer, Mr. Charney and Mr. Gene Smith were also present. Mr. Joe Beedle, an intern for the Department of Administration, and Representative Reed were also present.

Chairman Hohman called the meeting to order.

HB 542 Chairman Hohman assigned HOUSE BILL NO. 542 (appropriating \$22,000 to the Department of Education, Division of Libraries) to himself.

HB 475 He explained that the committee was present to hear testimony concerning HOUSE BILL NO. 475 (an Act authorizing the revision of agency operations plans under the Executive Budget Act).

Mr. Henri told the committee he appreciated the chance to express their views on this particular legislation. He said this enlarges somewhat the power of the Budget and Audit Committee over the Executive. Mr. Henri said the Act, Sec. 37.07.085 (2), provides that the Budget and Audit Committee approve establishment of new positions and (3) the reallocation between appropriation items. The Budget and Audit Committee already has the authority to approve the increase of an appropriation item based on additional federal or other program receipts, Mr. Henri said; and they have had a number of meetings in the course of fiscal year 1972 seeking concurrence from the Budget and Audit Committee to increase their budget for additional federal receipts. Mr. Henri said this practice and policy is an onerous one and if the bill passes and provisions (2) and (3) are added it will be exceedingly burdensome to the Executive. Mr. Henri said he did not see that this is necessary. He said he understood that the committee was concerned about the loading up of state government with new positions that the legislature was forced to fund year after year and the concern of the committee that the administration not divert from the intent of the legislature.

In the case of (2) new positions, Mr. Henri said the Governor must approve new positions and those are not listed as established positions in the following year's budget. The positions approved during a year appear as new positions in the budget request -- the legislature does have the authority to say no, Mr. Henri said. Mr. Henri said it seemed to him there is a check at the disposal of the legislature under the present system.

On the reallocation of appropriation items, there are certain restrictions now. Mr. Henri said the Governor may not reallocate between departments but he may reallocate within divisions of departments. The Division of Budget and Management may approve reallocations within divisions. Mr. Henri said he thought the wording in the bill "reallocations between appropriation items" is somewhat vague because they are not sure what appropriation items will be. He said he had talked to Mr. Hogan and it was his understanding that appropriation level should be way down to a 5 tier level. Mr. Henri said they now have 137 appropriation levels with program budgeting so in the case of (3) in the bill it could be exceedingly burdensome or relatively mild depending on the level of appropriations the legislature chooses.

Mr. Henri said his general view is the bill restricts the ability of the Executive to execute, which is why it is in business. He added that Alaska has a great constitution because it has a strong Executive. He said he knew the Governor is in a strong position because he appoints all of his cabinet and the people of Alaska like this system. They can talk directly to the Governor, and if they don't like what a person is doing this can be remedied by removing that person and getting somebody else. Mr. Henri said he felt their "hands are tied somewhat" by the Budget and Audit arrangement. He added that they may or may not be submitting legislation to seek a change in this. Mr. Henri said HB 475 would be a further problem to them. He said he did not think there was any reason not to trust the Executive. He said one of the things they would be asking the legislature to do is to amend the Act so there can be no transfer between program categories. Under the present system, transfers can be made between program categories if the categories are within one department.

Mr. Warwick said he felt that the legislature does not have control over new positions. He asked if the administration has ever terminated a position because the legislature did not fund that position. Mr. Smith said yes, their records indicate that this has happened. Mr. Warwick asked for the names of persons in positions that had been terminated. Mr. Smith did not have this but said positions have been abolished because they were not funded. Mr. Warwick said that even though the legislature did not approve these positions the administration could just request they be approved in the following year's budget. He could not see that the legislature actually had this control and felt that it was a never ending process. Mr. Henri said that some times the number of new positions is shocking, but almost all of them (75 - 80%) are the result of federal funding and they indicate on the request that the position expires when the funds expire.

Mr. Warwick asked if there was a time problem with receiving Budget and Audit Committee approval. Mr. Henri said that timing is one of the things but if the executive has the authority to run the government, they should be able to run it with the number of people needed. Mr. Henri said it is hard to get a Budget and Audit meeting called and sometime they have to wait for two or three months which is an inconvenience.

Mr. Wright said that Mr. Henri must agree it is the legislature's sole authority to allocate funds and asked if he thought they had a responsibility to the people who elect them to watch how their money is spent. Mr. Henri said the legislature is one thing; the Finance Committee is another; and the Budget and Audit Committee is something else. He said they want them to let them do the job they are supposed to do. He felt that the six legislators (quorum of Budget and Audit) are sort of "second guessing" the legislature.

Mr. Wright said he thought the legislature is the people's "watch dog" and Mr. Henri said he felt the Governor is also a "watch dog" for the people.

Mr. Fink said what he would suggest as a procedure for Budget and Audit approval of revised programs would be even more burdensome to the department. He said at the Budget and Audit Committee meetings last year the committee members first saw the

requests made by the executive branch the day of the meeting and the committee was unable to give them proper review. He felt that there was no way they could review a \$13 or \$14 million project in this short time. Mr. Fink said he felt they should insist that budget changes be received by the staff two weeks prior to a meeting. Mr. Smith said he had been advised at the beginning of the session a 5 day lead time would be required. Mr. Fink asked how they would feel about the two week requirement. Mr. Smith said this could cause a 6 week delay under normal circumstances before they could get something approved.

Mr. Fink asked if the system they were proposing would require that the budget documents be more accurate. Mr. Charney said it would in some places. He said that right now the legislature does not get positions for capital improvement. If they must have legislative approval it could delay a capital improvements project six weeks or more.

Mr. Charney said there would also be a problem with temporary employees as sometimes these must be established because of an emergency situation.

Mr. Haugen said he was concerned with reclassifications which go on between sessions. Mr. Henri said he had talked to Mr. Hogan on this subject and said he was personally willing to see reclassifications on separate line items and possibly also merit increases.

Mr. Fink asked if it would be more desirable to say they could reallocate up to a certain amount without Budget and Audit approval. Mr. Smith said this would be more advantageous than not setting an amount but there would be a problem with record keeping when they went over the limit. Mr. Charney said he felt that the committee should get a report on what they are turning down. Mr. Smith added that a lot of requests are turned down before they get to the Budget and Audit Committee.

In answer to Mr. Wright, Mr. Charney said that requiring approval for temporary positions would also cause a burden noting that an agency might have to shut down after a flu epidemic because they could not hire temporary employees.

Mr. Smith added that in many cases they have a deadline before federal funds would be lost.

Mr. Charney said that if the Budget and Audit Committee approves new positions during the year they are actually "locking in" these positions for the finance committees far more than the executive approval would.

Mr. Haugen said another area of concern was overtime. He said the Division of Personnel had approved overtime and this amounted to another "big raise" for employees.

Mr. Haugen referred to an audit report on the Dept. of Fish and Game where the Department had ignored legislative intent regarding the purchase of an airplane. He cited several other examples and said he strongly supported the present audit committee.

Mr. Charney said they were not allowing any personal services money to be transferred out.

In answer to Mr. Warwick, Mr. Henri said he was speaking against the approval of reallocation between appropriation items and approval of new positions because the Governor in order to do his job has to be able to put new people in.

Mr. Charney said he could foresee problems particularly in the Department of Highways. He said when they have snow storms or avalanches they have to "rob" money from other districts. Mr. Warwick asked how they get money from other districts. Mr. Charney said that district has to cut back. Mr. Warwick said he did not think that the Budget and Audit Committee would be adverse to taking money from one district to provide for this type of emergency.

Mr. Henri said that his own reservation is that instead of the legislature having this authority it would be limited to the six members attending the Budget and Audit Committee meeting.

Mr. Warwick said that Commissioner Campbell had told the committee that the Palmer flood expense could be absorbed in his budget. Mr. Henri said that the Governor had allocated \$100,000 out of his disaster fund for this. Mr. Warwick asked if the contingency could handle some of the emergencies that arise. Mr. Henri said that with the passage of this bill it would be more like a city management kind of government. He said he thought the essence

of the Constitution is that the Governor is supposed to be able to run the state after the legislature gives him the money.

Mr. Hohman quoted from page 67 of the Revised Programs book which said that on August 10, 1971 Mr. Henri had advised all commissioners that no transfers would be allowed from personal services. Mr. Hohman asked why this transfer was allowed on August 19, 1971 (revised program 72-40). Mr. Henri said he was not aware of any exceptions to this other than to allow contractual services money to come out of personal services. Mr. Charney said this transfer was due to the abolishment of the Fish and Game working capital fund. Mr. Smith added this was money transferred to finalize activity in the fund for fiscal year 1971.

Mr. Wright referred to recent statements made by Mr. Henri regarding the University of Alaska. Mr. Henri said they had debated on proposing a budget that would have specific allocation lines and decided not to do it. He added that he was not advocating line items to Dr. Wood. Mr. Wright said the recommendation made by Mr. Henri is that Dr. Wood not be able to transfer more than 5% between line items and he asked if this same approach would be suitable for him. Mr. Henri said no, he thought they have to let the Executive do this. Mr. Wright asked if they had any kind of proposal that would give the legislature some assurance their wishes would be carried out. Mr. Smith explained the procedure for the establishment of new positions.

Mr. Henri said there are computer runs on position control each month and he felt this run of vacancies lets the committee see whether they are undermanned or overmanned.

Mr. Warwick left the meeting.

Mr. Henri said he thought the remarks made by Mr. Charney and Mr. Smith expressed their feelings on new positions. He said this item would probably be unworkable. He said regarding appropriation items he felt it would be a heavy invasion of the Executive branch and might be more unworkable than the new positions.

Mr. Fink said that throughout the budget documents there is a 5.5% inflationary factor. He asked

Mr. Henri in light of the President's phase II policy did he think this was an unrealistic figure. Mr. Henri said this had been adopted before the first of July and that possibly it was high; however, at that time the wage price situation seemed so uncertain they left it out. Mr. Charney said he would agree it might be high except for selected areas -- he said the construction line averages are not "holding true". Mr. Henri added that after the national elections it was possible that the last half of the fiscal year would not be under the wage price control.

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

AFTER RECESS

4:15 p.m.

PRESENT All members except Representatives Haugen and Degnan. Also present were Mr. Tom Johnson, Administrative Director, and Commissioner Bruce Campbell from the Department of Highways.

HB 247 Chairman Hohman said that HOUSE BILL NO. 247 (An Act creating a Department of Transportation) would be under discussion. He explained that there was to be a hearing on this bill the following day, but thought that the Commissioner might like to be heard on it. Commissioner Campbell said that they had discussed the bill briefly last year. He stated that he had reviewed the Department of Transportation concept and he wanted to say that he felt strongly that the basic reason behind the legislation was good. Its intent was to insure more integrated planning, making sure there was no duplication, but he couldn't support it any more now than he could last year. He said they were on the threshold of major changes, not the least of which is the Trans-Alaska Pipeline, which will be the single largest capital expenditure in Alaska. Where this might fit remains to be seen, and he can't support any legislation deciding on that. He can't see the advantage this bill has over the existing system and no one has shown him it would make them do a better job. The real fallacy of this bill is that it is drafted with two basic thoughts in it: (1) transportation is an end in itself, and (2) all transportation have similar problems. This is not true in Alaska. Here it is a service oriented agency. The Department of Highways has no real common ground with the Division of Marine Transportation, and he could see no reason they should have the same administrative head. The only place the two departments conflict is at the terminals, and this happens once or twice every five years, and there has been no problem in solving the situation. The Division of Aviation operates airports. In the lower 48, the state doesn't operate airports, but in Alaska, the State is the main owner of airports. Mr. Campbell stressed that none of the modes of transportation in Alaska are competitive. Most of the funding on projects comes from federal funds. Even if they were to make this decision to combine all the forms of transportation, they wouldn't get a balance because the funds are earmarked for the separate projects. There is a capital improvement program for all of these agencies, and long range needs of 20% to 30% are forecast all the way down the line, so they would still get all of these types of transportation.

The next thing he felt strongly about was that in order to have successful government, there must be response to people's needs. He thought the Department of Transportation would restrict government to being less responsive.

The Commissioner didn't think any one man could head the Department unless he was only a figurehead, because he probably wouldn't be an expert in marine transportation, water and harbors, aviation, and highways. He thought all of these functions were different enough and important enough to have different administrative heads. He said it made a lot more sense to combine the Department of Highways with the Forest Service and the Division of Lands because that is where they have the most contact. They have more to do with them and work more closely with them than with other modes of transportation.

The Commissioner pointed out that the Governor's Review Committee had decided there would be no advantage to it at this time.

Mr. Campbell said they had reviewed the difference in cost and to be honest, they couldn't see any meaningful change. He said that everytime he has seen a change in organization--especially combining organizations, there has had to be more coordinators and people to keep things working together. That concluded his general feelings on the Department of Transportation. But, he added that the legislature should decide if they are going to subsidize mass transit in the Anchorage area. This is covered in HOUSE BILL NO. 334 (An Act providing revenue sharing with local governments for providing certain mass transit facilities or services) and HOUSE BILL NO. 335 (An Act expanding the powers of a city or borough to provide mass transportation facilities and services).

He thought mass transit should be accomplished on the local level instead of the state level. If the State wished to aid this in some way, he thought it was something that the State should address itself to. This is legislation he would certainly support. The Commissioner thought that HB 334 and HB 335 were a step in the right direction because they would give power to the boroughs. He said there was no question in his mind that any meaningful mass transit system could work without subsidy.

RECESS Meeting recessed at 4:35 p.m.

AFTER RECESS

4:55 p.m.

PRESENT All members except Representatives Haugen and Wright.
Joe LaRocca from AP was also present.

HB 536 Chairman Hohman said that HOUSE BILL NO. 536 (An Act making a supplemental appropriation for the administration and payment of scholarship loans) was under consideration.

Mr. Fink moved and asked unanimous consent that HB 536 be put out of committee with a "Do Pass" recommendation. No objection, so ordered.

ADJOURN Meeting adjourned at 5:00 p.m.

HOUSE FINANCE COMMITTEE MEETING
February 10, 1972
8:35 a.m.

Present: All members except Messrs. Wright and Degnan.

HB 522 Chairman Hohman called the meeting to order and said that the committee would consider HOUSE BILL NO. 522 (an act appropriating for miscellaneous claims).

Mr. Degnan read information that had been provided on this bill.

Mr. Wright entered the meeting.

There had been additional miscellaneous claims that had been added since the preparation of the bill and the committee briefly discussed this.

The committee had several questions on claims that appeared in the bill and they requested Mr. Hogan to research this and report back to the committee.

Recess: The committee recessed at 9:00 p.m.

AFTER RECESS
9:55 A. M.

Present All members. Also present were Pat Hunt, Director of the Division of Personnel, Department of Administration, and Jon Carter of the Alaska State Employees Association.

CSHB 32 Chairman Hohman asked Mr. Hunt to comment on CSHB 32 (An Act relating to pay increments for state employees; and providing for an effective date).

Mr. Hunt said he would begin by saying that the administration is opposed to any form of longevity pay at this time for financial reasons as it would be an addition to a budget that the administration is not anxious to increase. Mr. Hunt stated that his comments would be in relation to this specific bill, not longevity pay in general. He said the bill provides for longevity pay on a percentage basis. The theory of longevity pay is to reward an employee for long service and to provide an inducement for the employee to continue in state service. He stated that it is just as important for some of the clerical people to remain in state service as some of the middle income people, and for this reason he believed a dollar amount to be more desirable than a percentage. If it is the purpose to keep people in state service, there should be the same inducement at all levels.

Mr. Hunt stated that any bill on longevity should have clear language on what constitutes long service; in his opinion, it should be connected service. The bill should also be clear on what constitutes state service, since in some cases territorial service and even federal service (BPR service) is considered state service. If this area is not clear, the administration might have to defend itself in court regarding what constitutes state service.

Mr. Hunt stated his concern regarding giving people who remain in "F" step a longevity increase because this person might make the decision to remain at "F" step in a job rather than seek a promotion for the same salary which might require greater effort. He stated he felt that longevity pay should be tied to continuous state service, regardless of the level at which an employee worked.

Mr. Hunt reiterated that the Department of Administration for purely financial reasons was opposed to CSHB 32.

Mr. Haugen stated that he was concerned about the people who were locked in at step "F" and had no chance for an increase unless the Legislature provided a general increase. Mr. Hunt stated that everyone reaches a level that is about as high as they can go in any profession. Most of the people in this situation have chosen to remain there for other considerations, such as geographical or career of their spouse. He also stated that some individuals do not seek the experience and training to advance; he did not feel that the people who do promote should be penalized.

Mr. Wright stated that the recent salary survey did not recommend any pay increase for state employees; he asked Mr. Hunt if this finding applied to benefits also. Mr. Hunt stated he was not prepared to speak on those matters at this time. Mr. Wright asked what was meant by the statement that no raise was recommended for this year. Mr. Hunt stated that this was addressed directly to salary.

Mr. Fink asked if the salary survey board had reviewed fringe benefits. Mr. Hunt stated that they had, but that they were not required to make recommendations in that area. Mr. Fink commented that last year the state fringe benefits compared favorably with those provided by the federal government and private industry. Mr. Hunt stated that they had made no findings on that comparison this year. Mr. Fink asked Mr. Hunt why they had not, since that was part of the salary picture. Mr. Hunt replied that the salary survey was just a salary survey.

Mr. Fink stated that an increase in fringe benefits is an increase in a person's pay and he wanted to know why the administration had made no recommendations along those lines. Mr. Hunt stated that they had read the statute and that the statute asked for specific recommendations on salary; the department does not call fringe benefits salary. Mr. Fink stated that he would like the administration to make a recommendation on fringe benefits. Mr. Wright mentioned that an increase in fringe benefits might be in violation of Phase II.

Mr. Fink stated that the amount paid to a state employee includes his fringe benefits, and he was sure that the intent of the bill calling for a salary survey was to include a survey of fringe benefits, also. He stated that he would like to see the administration's recommendations regarding retirement, dental insurance and sick leave reimbursement.

Mr. Carter asked for an opportunity to respond to Mr. Hunt's recommendation regarding this bill. He stated that the recommendations of Mr. Hunt were not the result of the salary survey, but were the recommendations of the administration.

Mr. Hunt stated that his function is not a fiscal one. Mr. Wright stated that in order to get fiscal information the Committee would have to ask the Division of Budget and Management.

Mr. Fink stated that he thought the Committee should write to Commissioner Henri and request the administration's opinion on enrichment of the retirement program, dental insurance, payment for sick leave and all fringe benefit items pending, plus a general statement as to whether it is in the best interests of the state to increase fringe benefits at this time.

Mr. Carter stated that as far as "F" step employees were concerned, the employee who elected to remain at "F" step in order to receive a longevity increase would have to wait another 4 years for his next increase, whereas the employee who elected to promote was eligible for a 3.75 increase each year. Mr. Hunt stated that a person who had received three or four longevity increases would not get an increase if he promoted. Mr. Carter stated that any employee who remained on a job that long would probably not promote since there must be some kind of barrier, educational or otherwise, preventing it.

The witnesses left the meeting, and the bill was returned to the file.

CSHB 522 Mr. Norman Gorsuch, Deputy Attorney General, and Mrs. Roberta Johnson of the Department of Law were present to answer the Committee's questions on CSHB 522 (An Act providing for miscellaneous claims and providing for an effective date).

Chairman Hohman asked Mr. Gorsuch to give the Committee the background on the claim against the state set forth in Section 4 of the bill.

Mr. Gorsuch stated that the claim in the Luchs vs. Paukan and the State of Alaska case grew out of a collision between the plaintiff's car and an Alaska National Guard truck near Sand Lake Road in Anchorage. The collision occurred during a two week period when the ANG was on maneuvers. At that time, the plaintiff's car was "totaled" and he suffered injuries to his foot which had some arthritic results after the foot had healed. At that time the

Alaska National Guard, while under state authority, was not covered by liability insurance and it therefore became the burden of the state's financial resources. Chairman Hohman asked Mr. Gorsuch to present a detailed written statement on this matter.

Chairman Hohman stated that another question the Committee had was regarding the figure needed for settlement of the Jack Lee claim. Mr. Gorsuch stated the bill was in error; the correct amount of this claim is \$15,314.

Mr. Warwick asked if the Alaska National Guard was now covered by liability insurance. Mr. Gorsuch stated that he understood that they were; Mr. Fink stated that he would like to request a letter stating whether the ANG was covered by liability insurance. Mr. Gorsuch stated that he would provide such a letter.

Mr. Fink asked what the funds appropriated last year for claims were for. Mr. Hohman read from the Free Conference Minutes indicating that a request for \$10,000 had been made, but not allowed. However, it was the consensus of the Committee that \$4,000 had been provided, and Mr. Gorsuch was asked to provide information on what claims those funds had paid.

Mr. Degnan suggested that the Committee have a Committee Substitute for House Bill 522 prepared to reflect the following changes in amounts:

Section 1: from \$208.74 to \$238.74;
Section 2: remains the same;
Section 3: from \$700.00 to \$1,461.20;
Section 4: from \$15,300 to \$17,814.00;
Section 5: remains the same.

Mr. Degnan moved and asked unanimous consent that Finance Committee Substitute for HOUSE BILL 522 be passed out of committee with a "do pass" recommendation. There being no objections, it was so ordered.

Recess

The meeting recessed at 10:40 a.m.

AFTER RECESS

11:10 a.m.

Present: All members except Mr. Wright. Mr. E. Wilson, Deputy Commissioner of the Department of Commerce, was also present.

HB 501 Chairman Hohman called the meeting to order and said that the committee would consider HOUSE BILL NO. 501 (a supplemental appropriation of \$40,400 for the veterans' loan program).

This supplemental requested \$24,300 under personal services, code 100, and Mr. Wilson said this would allow the funding of five new positions to enable the department to better serve the demands put upon them by the veterans' loan program. He said they had originally requested seven new positions but the Governor's Budget Review Committee had asked if they could get by with less. Mr. Wilson said they would prefer to have more but they could get by with the five new positions. Mr. Wilson said that although \$40,400 must be requested for this appropriation, it is not a "true" \$40,400. Mr. Wilson said that there is \$24,300 in personal services; however, their adjusted 1973 budget has deleted approximately \$10,000 for data processing.

Mr. Wilson said that the Governor's Budget Review Committee had cut one of the Loan Examiners and although the deleted position is for the Anchorage Regional Office, there is more demand in the Anchorage office and the department will probably adjust the location for the Loan Examiner. Mr. Wilson read the list of new positions and the breakdown of the request by codes (see bill file).

Mr. Warwick asked what the qualifications are for a Loan Examiner I but Mr. Wilson did not have this information with him.

Mr. Fink referred to a Loan Comparisons Chart which had been provided by Mr. Wilson. This represented loans up to September 1, 1971, and Mr. Fink requested this information from September 1, 1971 to the present time. He said there had been a request during a Budget and Audit Committee meeting for the number of applications turned down. Mr. Wilson said they

were making accounting provisions for this. Mr. Fink also requested a copy of this report.

Mr. Wright entered the meeting.

Mr. Fink referred to Mr. Wilson's statement regarding relocation of the Loan Examiner. Mr. Wilson said if there was more of a demand in the Anchorage office, they would then place this new position there. Mr. Fink asked where they will place the Loan Examiners if this bill passes. Mr. Wilson said there will definitely be one Loan Examiner placed in the Anchorage office and possibly two. He said it appeared that most of the bulk of the work is coming out of Anchorage. He added that the Director of the program is located in Juneau, and he can be utilized as well as the regional Loan Examiner for the southeast part of the state.

Mr. Hohman asked if there were any other bills that dealt with this program. Mr. Wilson said there is legislation in to change the name of the Alaska World War II veterans but he could not recall the proposed wording.

Mr. Hogan referred to AS 26.15.100. He said it would appear that this "chops off" \$100,000 a year until the veterans' fund is dried up. He questioned whether the legislature or the administration wanted to do this. Mr. Wilson said he was not prepared to make a statement on this at this time.

Mr. Ditman moved and asked unanimous consent that HOUSE BILL NO. 501 be passed from committee with a "do pass" recommendation. There being no objection, it was so ordered.

Bill Assign-
ment:

Chairman Hohman assigned the following bills:

HCR 15	HCR 15 (Relating to Lake Minchumina Airport) <u>Hohman</u>
HB 594	HB 594 (Alaska American Revolution Bicentennial Commission) <u>Ditman</u>
HB 595	HB 595 (Appropriating \$5,000 to Alaska American Revolution Bicentennial Commission) <u>Ditman</u>

Recess: The meeting recessed at 11:30 a.m.

AFTER RECESS

3:15 P. M.

Present All members. Also present were Walter J. Kubley of the U. S. Department of Agriculture, Wayne Long, State Conservationist of the Soil Conservation Service, Rep. Kerttula, and Commissioner of Highways Bruce Campbell.

HB 8 Chairman Hohman called the meeting to order and announced that the Committee was present to hear testimony on HOUSE BILL 8 (An Act establishing a plant materials center in the Matanuska Valley; and providing for an effective date). Chairman Hohman asked Representative Kerttula, sponsor of the bill, if he had any comments to make.

Representative Kerttula stated that he had had an opportunity to testify on the bill before the committee previously, but had asked Mr. Kubley and Mr. Long to testify on the need for this type of facility in the state.

Mr. Kubley circulated information compiled by the U. S. Department of Agriculture regarding contributions of plant materials centers in some of the western states. He introduced Mr. Long to the committee, indicating that he had been in the Soil Conservation Service for 20 years.

Mr. Long said he appreciated the opportunity to talk to the committee about the value of plant materials centers; although he is not associated directly with that work in Alaska, he is aware of the needs throughout this area. Mr. Long circulated a summary sheet showing data that was compiled by plant material centers throughout the western states. He stated that there are currently 7 plant materials centers that service 13 western states, and the average annual return from these centers is \$60 million. The cost of operation of the centers is approximately \$40 - \$50 thousand each. Mr. Long stated that he had worked a number of years with the economist who made this analysis of the benefits of these centers, and he knew that he was extremely competent--a well-respected economist in the field of agricultural economics. The data represents the returns that have resulted to the farmers in the way of increased returns from grazing, seed production, green manure, cover crops and soil stabilization.

Mr. Long stated that he realized that the dollar benefits sound astronomical, but that they are not the result of increased production for only one year; they are the result of 19 - 20 years work. He stated that he felt \$60 million annual return was a conservative estimate, since it was based on one-half of the economists estimate.

Mr. Long stated that no attempt had been made to assess the benefits derived from the proposed facility in the areas of recreation, pollution abatement, beautification or stabilization as these areas do not lend themselves to economic analysis. The facility would have an effect on these areas, however. He stated that the analysis was made four years ago, and the returns to the various states as a result of plant materials work would be quite in excess of what the analysis shows.

In answer to a question from Mr. Warwick regarding the economic benefits to be derived by the state from such a facility, Mr. Long stated that development of seed stock within the state for stabilization and erosion control for use, for example in construction of the pipeline, would help stabilize the economy of Alaska since the seed would not have to be imported. He stated that no figures had been developed for Alaska, but he felt that it would be a matter of millions of dollars over a period of time since the center would be developing a renewable resource. He stated that plant materials that are "home grown" are more successful than imported materials, and in light of restraints regarding pollution, stabilization and erosion control, the benefit from the center would amount to a matter of millions of dollars over the years. The Experimental Station near Palmer does some work along these lines, but nowhere in Alaska is there a facility to meet all the needs.

Mr. Warwick asked if Mr. Long thought the University of Alaska should be expanded to do this work rather than the state creating a new facility. Mr. Long stated that the Experimental Station does have a considerable amount of expertise, and they could prevent "false starts" by having qualified people in the new center.

Mr. Fink asked how much federal money would be available for this project. Mr. Long stated it would have to be financed by the state since the Soil Conservation Service is expecting an \$18 million impoundment, and he could not foresee a sizable increase in any allocations. He stated that there was a possibility to get funding from other sources, even private industry, in developing specialized products.

Mr. Fink asked what the federal contribution was to the plant materials centers in other states. Mr. Long stated that the federal contribution to most of these centers is roughly \$50 thousand, and it is a 50/50 operation with the total cost of operation of each center being approximately \$100,000.

Mr. Fink stated that the bill called for several facilities in several different locations; he asked if that was generally how other centers operated. Mr. Long stated one facility generally served more than one area.

Mr. Fink asked what the center would do. Mr. Long stated that the staff, which should be composed of competent agronomists, would import seeds from a great many sources, make trial plantings, take the best results from these plantings and replant again. If there is still vigor and good growth, the staff would make a field planting and observe it in that situation. If the seed is still producing well, there will be increased yield, and the seed can be certified for general use, which will result in increased crop yield. Mr. Fink stated that this would probably take 4 to 5 years. Mr. Long said that was the case, but in the process of testing the plant materials, the center would also be developing proper agronomic practices.

Mr. Joe LaRocca entered the meeting at 3:35 p.m.

Mr. Fink asked if the other states with plant materials centers also had experimental stations. Mr. Long said that they did, and that they were generally located right along side of the plant materials centers.

Mr. Fink noted that the bill called for a \$200 thousand per year budget, and the other centers operate for \$100 thousand per year. Mr. Long stated that costs were greater in Alaska, and that the cost of operation depended a great deal on the number of demands the center would try to meet. By meeting a greater number of needs--such as those of private industry--there would be greater income available to the center.

In answer to a question by Representative Warwick regarding the cost of establishing the facility, Mr. Long stated that he did not have that information, and that was not his field, but that the structures would have to be built, equipment purchased and fields cleared and prepared for planting. He stated that an 8,000 square foot structure would be needed, and that costs would be higher than in the Lower '48.

Chairman Hohman asked Mr. Long if he felt that more than one location was needed. Mr. Long explained that the operations in the Lower '48 are generally from a centralized facility; fields are maintained in other areas where

materials can be tested under conditions different than those at the site. Mr. Hohman asked if there was a need for a physical plant at the remote sites. Mr. Long stated that in the Lower '48 there is no such requirement as this would require a duplication of effort and, normally, the staff can commute to the sites.

Mr. Kerttula stated that he had felt for many years that the greatest thing that could be done in the field of agriculture in the state was to gather seed stock from other northern climates for testing in Alaska. In this way, the work done in these other similar climates would not have to be duplicated in Alaska. He stated that he felt that the development of this program was the single most important priority in agriculture in Alaska.

Mr. Hohman stated that he felt there should be federal funding available to a greater extent than is indicated on the Fiscal Note. Mr. Kerttula stated that no plant materials centers have been built in the Lower '48 for decades; he said the federal government just has not made a new start along these lines.

In reference to the fiscal notes on the bill, Mr. Long stated that the earlier figures were based on a prior estimate and the latter set represented a combined analysis by the Department of Agriculture and the Experimental Station based on the present bill.

Commissioner Campbell stated that approximately 6 years ago, the Department of Highways became concerned and interested in reseeding various cut areas throughout the state and found no knowledge in the state as to what kind of plant could be used with success. He stated that on top of this, there was no seed stock available. Commissioner Campbell said the Highway Department has spent in excess of several million dollars on experimental projects in the area, and you can look around the state and see some of the total failures which they had. He said there is a need in the state for an agency that the Department of Highways can consult regarding erosion problems and seeds to be used for stabilization. He said he did not agree with Mr. Long's statement that the state could get along with only one such center since conditions varied so widely throughout the state. He also stated that seeds imported from the Lower '48 sometimes look out of place in the Alaska environment, and he felt there was a need for a good, hardy seed stock that compliments the Alaskan environment.

Recess A recess was called at 3:50 p.m.

AFTER RECESS

3:45 p.m.

Present: All members except Mr. Wright. Speaker of the House Gene Guess, Mr. Alex Miller, Commissioner Campbell, Commissioner Easley, Mr. Charney, Mr. Dennis Egan, Mr. R. Mierzejewski, and Mr. Joe LaRocca were also present.

HB 247 Chairman Hohman said the committee was present to hear testimony regarding HOUSE BILL NO. 247 (Creating the Department of Transportation).

Mr. Guess said there are several bills involved -- HOUSE JOINT RESOLUTION 59, HOUSE BILL NO. 334 (Revenue sharing for mass transit facilities) and HOUSE BILL NO. 335 (Powers of a city or borough to provide mass transportation for facilities and services).

Mr. Guess said that HB 247 is a concept and what it does is to pull together all the related transportation functions into the Dept. of Transportation. This will provide for transportation operations as it is now and will provide for future planning and coordinated planning. He said that Alaska is at a stage when they have to plan for the merging of all transportation.

Mr. Guess said there were two fiscal notes on this bill -- one prepared last year by the Senate Fiscal Analyst and one prepared this year by Budget and Management.

Mr. Guess said the committee might want to consider a different effective date than shown on the bill. He said perhaps the effective date could tie into the establishment of any mass transit facilities. He felt this would be similar to the formation of the Department of Environmental Conservation and that it would take a year or so to pull this together. Mr. Guess said that there are 13 states that are moving into this concept of a department of transportation.

Mr. Ditman questioned how this bill could be put into effect in light of the fact that several present commissioners would come under the new Commissioner of Transportation. Mr. Guess said that the Department of Highways would be absorbed by Transportation. He said there would be an administrative savings by pulling sections of the Department of Public Works and

support services into this new department. Mr. Charney said there could be some consolidation in the areas of supply and accounting where they are now divided; however, they could not eliminate all the positions as shown on the fiscal note prepared by Mr. Dean last year. He added that the assumption they could use the existing staff is not true. Mr. Guess said he felt there would be some savings but he felt this was incidental because they were talking about an idea.

Mr. Warwick said he could understand the need for coordination but he felt these divisions had nothing in common except transportation modes. Mr. Guess said they will be transporting goods and people. Mr. Guess said that as he understood the new program budgeting there is an item called Transportation in which these divisions are grouped.

In answer to Mr. Warwick, Mr. Guess said he realized that they would have to depend on the expertise that already exists in the divisions. He said he would envision the Commissioner as being the coordinator. Mr. Guess said that the Commissioner of Highways does not have the power to plan for mass transit. Mr. Warwick said it seemed to him it would be easy to delegate this authority to the Commissioner of Highways. Mr. Guess felt that for long range planning this responsibility should be delegated to a Commissioner of Transportation.

Mr. Ditman asked if the Commissioner of Transportation would have full cabinet status. Mr. Guess said he would be the "head man" and the existing commissioners of the Dept. of Highways and Dept. of Public Works would be deputies. Mr. Guess said he felt this idea was forthcoming either by executive order or by the legislature.

Mr. Fink said that Mr. Guess had indicated 13 states now have a department of transportation. He asked if any of these states have a marine system. Mr. Guess said that Hawaii does.

In answer to Mr. Fink, Mr. Guess said the way this bill fits into mass transit is from a planning stage. Mr. Fink said it was his understanding that the work of the Office of Planning and Research (Governor's Office) encompasses all types of planning. He said it was his understanding this Office is to coordinate all the departments in the state. Mr. Guess felt that the functions of this Office would depend on the Governor -- some governor's fully fund the division and some do not.

Mr. Fink asked if the planning for mass transit was put into the Department of Highways if this would accomplish what Mr. Guess was suggesting. Mr. Guess said that perhaps it would but that people trained for work in the Department of Highways would not necessarily be trained to deal with mass transit.

Mr. Easley spoke on this bill. Mr. Easley said that to his knowledge the Governor has not publicly taken a stand on this issue. He said he felt that they have a close knit organization between the agencies involved in transportation but noted this is primarily due to personalities rather than law. He said he was sure that this harmony has not always existed. Mr. Easley said it was his personal opinion that the Department of Transportation concept has a great deal of merit.

Mr. Easley said that right now they are spending \$37 million on the ferry system, \$2 million on aviation and there is the question of evaluating which mode of transportation in Alaska is the most important. Mr. Easley said there are those in Southeast who complain that \$37 million is unreasonable and there are also those in Southeast who say the money spent on South Central and Northern Alaska far exceeds what they are getting in Southeast. He said there is a question of which area has the greatest need.

Mr. Fink asked about the hovercraft and Mr. Easley said they had been ruled to be an aircraft but there was no agency dealing with them.

Mr. Fink asked if Mr. Easley's department had anything to do with aircraft and Mr. Easley said only as it relates to airports. Mr. Easley said in the event the Department of Transportation was established it could effect considerable savings at the airport and could provide more efficient service for the travelling public.

Mr. Easley said they were considering the possibility of a satellite terminal in downtown Anchorage. This was briefly discussed.

Mr. Fink asked if the planners from the Department of Public Works work in cooperation with the Department of Highways and Mr. Easley said yes.

Mr. Warwick said if there was a Commissioner in the Department of Transportation who was from Southeast wouldn't it be possible there would be a heavy concentration on ferries. Mr. Easley said that this would be possible but he would still have to answer to the Governor. He felt the balancing factor on appropriations is that this is determined by the legislature. He said if there was a Department of Transportation its budget would be subject to the same review that the present

budgets receive. Mr. Warwick said then Mr. Easley could not foresee a problem in having a Commissioner from a certain area of the state who would favor ferries or aviation. Mr. Easley said there could be a problem but this was also possible right now under the present system.

Mr. Ditman said if Mr. Easley were to become the Deputy under this Commissioner wouldn't there be a problem of selling his ideas to two men instead of just to one. Mr. Easley said this is done every day noting that the Director of Marine Transportation has to do this right now. He said there is not a director in any division who would not like to quadruple his budget. Mr. Easley said he felt it was a problem of tying in the pieces so they fit.

Mr. Wright entered the meeting.

Mr. Haugen referred to a recent meeting in Sitka attended by Mr. Easley. Mr. Easley said the figures he had presented at this meeting were that in the next 25 years highway funds would be about \$1.25 billion dollars, ferry funds about \$3 million and aviation matching fund somewhere around \$600 million. He said when all this is added together there is an awful lot of money -- he said in the field of transportation they just can't afford a mistake.

Mr. Guess said they have to have a long range plan but it is no good unless it is upgraded every year.

Mr. Wright asked if Mr. Easley saw any problem in administering this bill. Mr. Easley said most departments now have 4 to 7 divisions and if there were 7 or less divisions in this new department he could not see a problem from an administrative standpoint.

In answer to Mr. Warwick, Mr. Easley said the cost of getting commodities to their destination in different areas of the state is getting more expensive. He said he felt there is inequity in regulations. He said that the economy of Alaska is dependent on transportation and he felt there was no margin for mistake in this field.

Mr. Easley said that it might appear after the committee had heard his opinion of the bill that there is administrative differences. He said there is not, but what they have is "perhaps professional disagreement on aspects".

Mr. Warwick asked if the administration had a point of view on this bill. Mr. Charney said this had not been

included in the budget request. He pointed out that they do not at present have a facility to house a Department of Transportation.

Mr. Campbell, Commissioner of Highways, spoke on the bill. He said that what they are really talking about is communication and getting together. He said this has to happen before they have good state government. He said there are a variety of organization charts that will work if they get the right people in. He asked that the committee keep in mind that the Department of Highways and the Divisions of Marine Transportation and Aviation all work together now.

Mr. Campbell said he felt it was more important to work with local groups (boroughs and organizations) and private enterprise. He said all these things have to happen before they can create a department of this type. He suggested this might create a "dictatorship".

Mr. Fink asked about hovercrafts and Mr. Campbell said they have done some work along this line. He said no one is sure where they will be placed. Mr. Campbell said he felt they are an interesting innovation.

The committee discussed where the authority for mass transit lies. Mr. Fink asked if there should be any change in the law in what Highways is presently doing in the field of mass transit. Mr. Campbell said if the legislature wishes state coordination then he thought there should be some further direction. Mr. Campbell said as he read the law they do not have the authority to go too far into mass transit.

Mr. Easley pointed out that he did not feel they would cut planning manpower one iota under this concept and that possibly they might increase it.

Mr. Guess ended the meeting by asking who is presently responsible for statewide transportation coordination now and in the future.

Adjournment: The meeting adjourned at 5:25 p.m.

HOUSE FINANCE COMMITTEE

February 11, 1972

8:30 a.m.

PRESENT All members of the Committee except Mr. Haugen. Also present from the Department of Administration were Mr. Dick Freer, Deputy Commissioner; Mary-Jean Hackwood, Benefit Supervisor; and their actuary, Mr. Norm Losk. Mr. Eppenbach was present from the Department of Revenue.

Chairman Hohman called the meeting to order and said that the purpose was to discuss retirement bills either in committee or anticipated to be in sometime in the near future.

SB 325 Miss Hackwood began the discussion with SENATE BILL NO. 325 (An Act relating to duplicate benefits under the teachers' retirement system).

Miss Hackwood said this bill had no calculable cost factor. The benefits are being paid for by the teachers under the existing system. There is a limitation of benefits at the present time. This bill would allow a participant to claim benefits on behalf of himself as well as from a spouse who might have been a teacher.

Mr. Losk said that in order to measure the cost actuarially, you would have to be in a position to evaluate married couples in the System and develop probabilities on whether the husband or the wife would die first. Under standard actuarial systems, this isn't done.

Miss Hackwood pointed out that during the six years that the survivor's allowance has been in effect, they haven't had one case where they did limit benefits, so that there is no actual experience.

She explained that the teaching couple may elect a 1% money option to cover both of them. This will allow for a continuing benefit to surviving children and providing for a spouse's pension. This would allow the surviving partner to receive his spouse's benefit as well as his own. At the present time, if the surviving partner is working, he may receive a benefit from the deceased, however, once he goes on retirant status, he can only collect his own benefits.

HB 540 Miss Hackwood went on to HOUSE BILL NO. 540 (An Act regarding eligibility for teachers retirement). Miss Hackwood explained that at the present time a teacher is required to have 5 years of membership service in the State in order to draw benefits at age 55 or 60 if he has 10 years of outside service. This

bill would require the member to have at least 8 years of service.

Mr. Losk said that the only people who would be affected are those that enter state service late in their careers and serve more than 5 years, but less than 8.

Mr. Fink asked if there was any current experience of people who qualify under the present law, but who would not qualify under this. Miss Hackwood answered there were two people this year who would have been affected.

She went on to say that they had requested 5 years vesting for being in Alaska, but this was opposed by the teachers' groups who wanted it to be 8 years for vesting at least. The vesting was changed, but the years of service to qualify was not.

Mr. Fink asked if the administration recommended this bill, and Miss Hackwood said they didn't oppose it.

She added that it should be noted that the teachers retiring after 7-1-72 would be required to have more Alaska service than those retired prior to that time.

Mr. Warwick asked if there were any this would affect, and Miss Hackwood said no, because eligibility requirements in order to let them into service is that they be able to serve for 8 years.

HB 539

Miss Hackwood went on to HOUSE BILL NO. 539 (An Act regarding creditable service payments for retired teachers). Miss Hackwood said this would increase the minimum benefit payable under the retirement system.

She gave some background information saying that in 1945 the monthly benefit was \$100. In 1955 it was increased to \$150 a month--the \$50 being paid by the General Fund. The benefit formula at that time was 1.5% of the average base salary, with a maximum of \$6,000. This was later raised to \$7,000. In 1970 the percentage of base salary was changed to 2%. In 1970 the minimum benefit payable was also raised to \$200 a month. In 1971 they increased that level benefit to \$300 a month. This affected almost all retired teachers under the old minimum base salary scale. There was one small group of teachers who were unaffected--the ones who retired prior to the 2% formula, but after their actual salary was recognized. They have received benefits based on the post retirement benefit adjustment.

Miss Hackwood said the cost anticipated was .17% of the total covered payroll. They are basing the dollar amount on a covered payroll of \$64.30 million resulting in a dollar requirement for 1972-73 school year of \$110,000.

She said there was one other problem. Under the present statute, there is a maximum contribution rate of 10% which the state and the employer are required to pay. 9.82% is the present matching requirement. This bill would take the rate up to almost 10%.

Mr. Warwick asked if it would be May before they knew for sure that 9.82% was the matching rate, and was told that was true. However, at this point, without full scale actuarial evaluation, this is probably as good an estimate as they could develop.

Miss Hackwood said February 18 was the day the data was scheduled to go to the actuary for analysis.

Mr. Fink asked how the \$110,000 was divided, and Miss Hackwood said that it was divided equally between the State and local district.

Mr. Hohman asked if State-operated Schools would be all state, and was told yes.

HB 537

Miss Hackwood went on to HOUSE BILL NO. 537 (An Act relating to teacher's retirement salaries. This would amend the benefit section to provide that any benefit change would be retroactive and the 2% would also be retroactive. She added that SENATE BILL NO. 290 was comparable. The cost of this is a .31% increase over the 9.82% so it would exceed the 10% maximum. The cost would be \$210,000 at the present time.

Mr. Losk said the .31% was due to the increase in benefits and the liabilities for them in relation to the covered pay-roll and spread over future years. There is also a survival determination here.

Funds are being paid into the Teachers' System directly to support benefits of individuals currently teaching. Mr. Losk said that to increase retired lives benefits retroactively is in a sense to divert some of the funds currently being taken from current lives to retired lives. This makes for inequity between the active and inactive groups. Another factor is that the current benefit level of 2% of the highest three years average pay in the last eight is partially supported by employee contributions at 7%. The individuals who retired earlier paid a lower percentage of their compensation. So, there is another question of equity.

Mr. Fink felt that the retirement program should be enriched, and the retirees given the benefit of the new concept.

Mr. Losk said that to his knowledge, the people who would be affected by this legislation numbered approximately 150 at an increase in benefit of approximately \$115.

Mr. Fink asked about assumed earnings and Mr. Losk said the rate that has been used for the last several years is the 4 3/4% level.

Mr. Fink then asked what the earnings were, and Mr. Losk said that it has varied relatively substantially over the last couple of years. The earnings of the fund on a straight book value basis and with regard to the treasury portion only have been over 6%. The other portion of the fund is handled by a financial agent and invested. On a market value basis, the earnings have been historically less. He said that the important point in discussing the evaluation interest rate as opposed to the actual earnings rate is what he did in his actual evaluation. He attempted to determine current value of benefits currently payable and expected to come payable in the future. As a result, projections are made over a rather long period of time. The investment return assumption that he looks at has to be related to some extent to the long term earnings potential of the fund. He explained that on an income vs. book value basis, they have done better.

Mr. Fink was interested in an evaluation of the retired account and what it was making. Mr. Eppenbach said he was in a position to answer earnings on the total portfolio, and said that in 1969-70 the total portfolio earned 45%. The internal rate of return is not yet calculated for 1971, but they expect it to be higher. This is a market to market basis.

Mr. Fink referred to a report he had seen comparing the Alaska retirement system with other systems, which had shown Alaska coming out very high. Miss Hackwood said that the information that went into that report in regard to the Alaska system was not comparable to the information that went into the report regarding the other systems.

Mr. Eppenbach said they had looked at those calculations and to the best of their knowledge, they had been based not on return, but on current yield on portfolio. He explained there was very little relationship to what it might actually be for total return. It was not an appropriate way to estimate return of the portfolio on an annual basis.

Mr. Losk said that essentially what they do is develop cost. They single out the increase in liabilities that would occur if the post retirement pension adjustment were set into effect. They have tried to take a look at the return in any particular year against that. This is another kind of situation. Historically they have not had the information needed to develop a market value return level. As a result they used information that was not quite sufficient for the purpose. However, over the past few years with only 200 or 300 members, the system is relatively new, and the drain on the fund is not substantial.

Miss Hackwood commented that they used a lump sum deposit.

Mr. Fink said that if they made more than what they assumed the result would be a change in contributions for next year. Mr. Losk said that was true, if excess investment return is earned over the 3% and in conjunction with other expenses of the system, that will have the effect of reducing the contribution level.

Mr. Losk pointed out that several things effect the time the people might leave the system or die before retirement, so they make assumptions as to these things.

Mr. Losk said their evaluation was a combined effect of actual expenses and assumed expenses.

RECESS

Meeting recessed at 9:10 a.m.

AFTER RECESS
9:25 a.m.

PRESENT All members except Mr. Wright. Also present from the Department of Administration were Mr. Dick Freer, Deputy Commissioner; Mary-Jean Hackwood, Benefit Supervisor; and their actuary, Mr. Norm Losk. Mr. Eppenbach was present from the Department of Revenue.

HB 537 Mr. Hohman said discussion would continue on HB 537.

Mr. Fink asked on what basis they determined earnings.

Mr. Losk said that the best they could do at the present time was to measure earnings very loosely, and he emphasized he was not an insurance man. What they have been doing is to simply try to measure return on a yield basis. They are trying to estimate levels of investment income vs. book value. They have not been in a position to estimate precise cash flows.

Mr. Fink asked the date they did their evaluation, and Mr. Losk said June 30 for the Teacher's Retirement System.

Mr. Fink asked if they couldn't determine what the income has been on the fund. Mr. Losk said that cash income in terms of investment income received is available, but in order to determine precise calculation of return they need to develop relatively precise measure of what asset levels have been over the year, and relating income to that. He explained that if the fund increases a million dollars the effect is different if it is deposited in a lump sum at the beginning of the year or the end of the year. They have made the assumption that things come in uniformly.

Mr. Warwick asked if it didn't come in uniformly, and Mr. Losk said he had no knowledge of the actual flow. He would assume it would be relatively uniform in the present type of calculation. The actual effect of the assumption is that they assume that things come in in the middle of the year.

Mr. Warwick asked how long they had handled the account. Mr. Losk said that he had been in charge of it since April 1970. His firm had it approximately a year prior to that.

Mr. Fink asked if the new system was still to be based upon cash earnings in the fiscal year. It was Mr. Losk's understanding that market appreciation was to be taken into account as well as other income items.

Mr. Eppenbach said they were going to look at all the investment flows. They wanted to know the significance of a long-term return on a pension fund. He said it was not just significant to know what the cash earnings rate on a fund might be. What is really important to know is earnings on those investments, cash that may have been deposited into the

account, reinvestments in the account and the interest it is making. He said he started calculating that return for the agency last spring. This spring the treasury portion will be calculated in that method so that this year they will have the estimate for the entire fund. This is something that equates to actual assuming.

Mr. Eppenbach explained that the internal rate of return takes the beginning balance of the cash flow and transmits it into the ending balance on a market to market value.

RECESS Meeting recessed at 9:40 a.m.

AFTER RECESS
10:40 a.m.

PRESENT: All members except Mr. Wright. Also present from the Department of Administration were Mr. Dick Freer, Miss Mary-Jean Hackwood, and their actuary, Mr. Norm Losk. Mr. Eppenbach was present from the Department of Revenue.

HB 537 Mr. Eppenbach said that in 1969 they had estimated the treasury portion of the fund at -6.30% return. They calculated the total for the fund at 2.58%. In 1970 the treasury portion was 7.0% and the agency was +4.82%. Looking at the two years combined the treasury portion is 6.72% and the agency is -1.08%.

So far this year for the treasury portion the earnings look in the neighborhood of 6.35%. The agency earnings ought to be substantial because they have realized 6.88% for only 9 months and there is an additional quarter to be added to that. He said they couldn't calculate the effect yet, but thought generally that the total return for the calendar year 71 ought to be in excess of 6% and approaching 7%.

They were trying to apply the Becker analysis over the whole portfolio.

Mr. Eppenbach offered to supply the committee in writing these evaluations which he had just given verbally.

Mr. Losk said that since they were to receive the data on February 18, May 1 would be a reasonable time to have the total result of the analysis.

Mr. Fink asked if other states were so far behind, and Miss Hackwood said that they were current in comparison to many other states, because it is done on an annual basis.

Mr. Fink said that they had to determine whether there was room for that .31% within the 10%. He personally would raise the 10% if there wasn't.

Mr. Fink commented that if it takes so much time to arrive at an evaluation, maybe they ought to change the end of year date.

Mr. Losk pointed out that the contribution rate was a percentage of the covered payroll and varied from year to year.

Mr. Fink asked if it was a general rule that when a retirement system was enriched it applied only to those not yet on retirement. Mr. Losk said that most benefit changes applied only to active participants. The only type of change that applied to retirants was of the nature of cost-of-living.

SB 191 Miss Hackwood referred to SENATE BILL 191 (An Act regarding the Teachers' Retirement System). This would change the number of years required for retirement. She said it would be an increase in cost of .72%. She said she would send over materials on this.

Mr. Fink asked if they could review the state employees bills. Mr. Hohman turned the chair over to Mr. Warwick for this purpose.

[Mr. Hohman and Mr. Ditman leave.]

HB 588 Miss Hackwood referred to HOUSE BILL NO. 588 (Coverage of correctional officers under the Public Employees Retirement System). She said they did not have the cost on it yet, so it still had to be calculated.

Miss Hackwood said that there were a series of bills originally requested as a package. In the drafting they decided to separate them. These are SENATE BILLS No. 264, 265, 266, 267, and 268. She explained that SB 264, 267, & 268 had the priorities. Each member was given a cost sheet for each of the bills. She proceeded to go through the separate bills.

SB 264 SENATE BILL NO. 264 (An Act regarding retirement benefits) would increase the benefit formula. The present rate for the state is 7.84% out of a maximum 8% permitted. The current payroll as of December 31, 1970 was \$63.84 million. This bill would make for an anticipated increase of 3.2% and a cost of \$2.11 million for the first year. Although it appears to be similar to the Federal Civil Service Program, Miss Hackwood said, this one is subject to social security, while the other is not. The largest benefit increase would be for those that work between one and ten years--a 50% increase. Those working an additional one to ten years would receive the increase for the first 10 years plus an additional 17% for the last ten years.

Mr. Warwick asked if there was a bill in to increase the maximum, and Miss Hackwood said no. She said that if the bill passed a portion of the system would not be funded. It would be establishing a liability for which there were no contributions.

SB 265 She went on to SENATE BILL NO. 265 (An Act regarding cost-of-living allowances for retired public employees.) This bill provided for an additional cost-of-living for retired persons who physically resided in Alaska subsequent to retirement. For the lower paid employees the amount payable is significant compared to the retirement benefit paid by the State. This would be in addition to that benefit already payable and would be a second cost-of-living allowance. This would be 25% of the portion of benefit paid by the State.

SB 265 would be an increase of 1.34%.

- SB 266 Miss Hackwood went on to SENATE BILL NO. 266 (An Act regarding retirement age of certain public employees). This called for an increase of 3% and a dollar amount of \$1,915,326. It changes the retirement age for normal retirement from 60 to 55 and the early retirement from 55 to 50. She stated this was an extremely low age for retirement as a public employee.
- SB 267 She went on to SENATE BILL NO. 267 (An Act regarding cost-of-living pension adjustments). This called for an increase of 2.8% and a dollar requirement of \$1,819,560.
- SB 268 Miss Hackwood said that SENATE BILL NO. 268 (An Act regarding death benefits under the Public Employees' Retirement System) would provide that each person who dies while working for the state after 8 years of service would entitle his beneficiary to be refunded not only employee's contribution and lump sum benefit, but also the employer's contribution. This would be an increase of 1.5% in addition to the 7.84% and a dollar amount of \$734,208.

Miss Hackwood said that the combination of the priority bills, SB 264, 267, & 268 would be an increase of 8.80% over the 7.84% and a cost of \$5,618,219. If the entire package was passed it would be an increase of 14.30% above the 7.84% or a dollar amount of \$9,129,723.

- HB 345 Mr. Degnan asked for comments on HOUSE BILL NO. 345 (An Act regarding inclusion of certain employees of Department of Military Affairs in Peace Officers & Firemen's Retirement Program). Miss Hackwood said this would include 7 men. If the cost were spread over the entire covered payroll of the state, the increase would be .02%. However, if it were charged to the Department of Military Affairs it would be a 28.5% increase and a cost to their payroll of \$31,000 a year. She said there was a question as to whether they should be considered on hazardous duty or not.

RECESS Meeting recessed at 12:10 p.m.

HOUSE FINANCE COMMITTEE

February 14, 1972

11:40 A.M.

Present: All members except Messrs. Wright and Fink. Mr. Bob Gates of the Department of Revenue was also present.

HB 516 Chairman Hohman called the meeting to order and asked Mr. Gates to enlighten the committee on HOUSE BILL 516 (An Act appropriating to the Office of the Governor for payments pursuant to the Alaska Native Claims Settlement Act; and providing for an effective date).

Mr. Gates stated that the committee was in receipt of his memo on this subject. He said there are still several items which haven't been resolved. He referred the committee to Commissioner Wohlforth's memo of January 6, 1972, which outlines the various assumptions used in attempting to arrive at an estimate; the original intent was to show what the total payments would be into the Native fund. It wasn't intended for budgetary processing and, as a result, the administration has made two adjustments to the memo which, Mr. Gates felt, would then truly reflect both the state's direct payments, meaning revenues received by the state directly, and also that portion of federal revenues which represent a loss of income to the state. Mr. Gates stated that they were advised that the wishes were to budget the revenue which normally would have come to the state and, therefore, they have included that figure in, although the federal government will be responsible for that (shown in Code 709 of Revenue Sources Book).

Representative Warwick asked why the state needed to appropriate the money if the federal government was going to withhold it. Mr. Gates replied that it was the decision of the administration to budget it. When the total accounting for the payment is received, a "non-warrant" item would be entered in to reflect that amount that actually the state would have received, but instead the payment is being made directly to the Native fund. It is more of an accounting for the true share of the state's payment into the fund, Mr. Gates stated.

Representative Ditman asked if the state had received all or part of the 1972 royalty payment. Mr. Gates stated that this was on a continuing basis and he believed that payment had been made. Payments are made in August and February.

Representative Ditman asked if the \$610 thousand, when the first half was paid in August, if they didn't withhold that portion and if that was what this bill is all about. Mr. Gates replied that to some extent it is; the opinion of the administration is that they are responsible for the February payment, even though it may have been earned subsequent to the last payment. Mr. Gates said that anything received after December 16, the administration is considering they will be liable for.

Then, Mr. Ditman stated, "we will never have another bill like this?" Mr. Gates stated that was not the case; there would have to be a similar bill each year.

Mr. Barker stated that the amount in Code 709 will not be paid to the Native fund by the state. Mr. Gates stated that nothing would come out of Code 709; only that portion in Schedule "C", attached to his memo, \$109,988 is the portion the administration estimates the state will be receiving and paying directly into the Native fund this fiscal year. Mr. Barker asked if the rest was to make up for money the state will not be receiving.

Mr. Gates said the state is losing the revenue and wishes to have an accounting of it; the payment will be made directly by the federal government to the Native fund.

Chairman Hohman stated that the Act requires the payment to be made in 60 days, but it actually will be made from Washington, D. C. Mr. Gates stated as far as Code 709, that was the case. Chairman Hohman asked what was the state's obligation.

Mr. Gates stated that a portion of this bill, as he understood it, would take care of the \$109,988 which is a direct payment the state will be obligated for over the balance of this year--a direct money payment.

Representative Degnan asked what the other \$509,000 represented. Mr. Gates stated that he had attempted to explain this in his memo where he stated under Column 2 that the amount of \$457,945 is the amount that we feel should be appropriated if we are going to handle the federal payment as a budgeted item through a non-warrant expense. The original \$610,00, shown in Column 5, would include the loss of revenue which will be sustained by the federal government which, in Mr. Gates' opinion, would not be a budgeted item.

Representative Warwick asked if the amount should be reduced to \$558,000. Mr. Gates answered that was correct. Representative Warwick asked Mr. Gates if he could explain the reason for the \$457,000 appropriation. Mr. Gates stated that he was unable to explain; he said that Myrt Charney would be the best one to explain this reasoning. Mr. Gates stated that he had gone through this matter with Mr. Charney and how it was to be budgeted was left up to him. Mr. Gates said that perhaps the thinking behind it was so the state would receive credit for this payment into the fund--it had to be done accounting-wise, at any rate--and the best way to do it was to budget it and treat it as a non-warrant item.

Representative Ditman asked if the state would write a check for \$610,000 if the bill passed; Mr. Gates replied that it would not. Mr. Barker commented that the state would write a check for \$100,000 and deposit it in the Native fund; he said that the reason that you might want to appropriate the \$457,000 was that that amount had been included as a revenue in the budget and the state was now going to lose that amount.

Mr. Gates stated that his understanding for budgeting the \$457,945 portion would be to account for the state's payment into this fund. He said there may have been some thought that since the revenue was anticipated and will now not be received, the administration wants to appropriate it into the FY 72 budget. Mr. Barker commented that this was not normally done for other revenue shortfalls. Representative Ditman commented that it did not seem right to him to require a law to make a standard bookkeeping entry.

Mr. Barker commented that it seemed to him that if you do not appropriate this, the revenue figures would be adjusted in future years so it would not be necessary to go through this process each year.

The chairman instructed the staff to ask Mr. Charney to testify on this bill at 3:00 p.m.

Recess: The committee recessed at 11:55 a.m.

HOUSE FINANCE COMMITTEE

February 15, 1972

8:15 a.m.

PRESENT All members of the Committee except Mr. Fink. Mr. Bob Gates from the Department of Revenue and Mr. Myrt Charney, Director of Budget and Management, were also present.

HB 516 Chairman Hohman called the meeting to order and said that the matter under discussion was HOUSE BILL NO. 516 (An Act appropriating to the Office of Governor for payments pursuant to Alaska Native Claims Settlement Act).

Mr. Charney said that the reason they were asking for all three of the sections (B, C, & D) was a matter of philosophy. The administration had decided to do it this way because they would be disclosing to the people of Alaska what the total effect of revenue would be. Everything is in once place and it will be there every year and eventually will add up to the total state share. Mr. Charney pointed out that when the money settlement was finally completed, the state share would be a little bit less than \$500 million because a part of that was federal funding.

Mr. Charney said that the accounting system for the state was designed so that they can handle it with no problem. They are using a non-warrant expenditure. This is an expenditure against an appropriation that does not require an actual warrant or check to be written.

Mr. Warwick asked if they should list part of that as a non-warrant expenditure in the bill, and Mr. Charney said it was not necessary because it was just a guess, and they did have the same clause that was in the short tax form. The difference between a non-warrant and warrant expenditure is simply accounting mechanism and they are both charged against an appropriation. He explained that checks were only written on the basis of the formula--actual expenditures.

Mr. Charney said that page 12 of the budget document showed the corrected figure for future requests.

Mr. Hohman asked about actual expenditures, and Mr. Gates said that this was based on receipts as they came in monthly.

[Mr. Warwick leaves.]

Mr. Charney said that they did get some money December 18 and they will owe some money tomorrow or the next day.

Mr. Gates referred them to his 1/6 memo to the Commissioner, schedule A, which shows a monthly breakdown. He said they would note that in the assumptions used, they had determined that all monies received in December would accrue to the benefit of the natives, even though it represents revenue directly earned by the state for the month of November. The monthly breakdown by item is what they anticipate will be the state's payment directly to the native fund. In no one month do they estimate payments to exceed \$18,000.

Mr. Charney stressed they were only estimates until receipts actually came in. He said it was much like shared taxes where they shared with the municipalities. They make the estimates, but when the funds come in, they follow the formula that is in the law.

[Mr. Fink arrives, and Mr. Joe LaRocca also comes in.]

Mr. Charney said that the only reason they need a supplemental this year is to catch up with the current fiscal year.

Mr. Gates explained that the way the sharing worked was the state received 90% and the federal gets 10%. The natives get 2% of the gross value computed right off the top. So, in effect, the state gets 90% of the remaining 98% and the federal government gets 10% of the remaining 98%.

[Mr. Warwick comes back.]

Mr. Gates referred to an additional item in his memo of 1/6 concerning his question as to liabilities under property royalties to be calculated in another way which has been referred to the Attorney General's Office. He explained that if calculating off of gross value, if the price of coal rises dramatically, the state's liability might also. He said that the indication from the Attorney General's Office was generally that they thought existing raises may well make the state obligated to make payment higher than their income. However, even if this happened, they have already accounted for it in a liberal interpretation, so the figures wouldn't be disturbed. He pointed out that new leases would be written differently.

He said that their estimates for last year's industry-wide value was \$6.35. If the price of coal doubled to \$12, the 2% rises dramatically higher.

Mr. Fink asked why they didn't correct the language in this technical amendment. Mr. Gates said it was something to be looked into, and said it would only apply to existing leases.

Mr. Hohman asked if they should change the sum in the bill. Mr. Charney replied they would not object as long as the same clause is in there that says that excess would be appropriated. This protects them.

Mr. Gates said they should include section 9, but could omit subsections A, B, and C. He said there was potential liability under subsection D although to date there hasn't been any drainage payment within the state.

Mr. Warwick asked about Alaska's loss of revenue and the federal loss of revenue. Mr. Gates said that represents 2% of the 100% because that is taken out of the gross value.

Mr. Gates explained that the federal contribution went towards the total \$500 million.

RECESS

Meeting recessed at 9:00 a.m.

AFTER RECESS
10:00 a.m.

PRESENT All members.

HB 516 Mr. Hohman said they would continue discussion on HB 516.
Mr. Barker put the following chart on the blackboard showing
what would happen if they got a million dollars in revenues.

\$1,000,000

\$125,000	12 1/2% royalty
\$112,500	90% to state 1.25% royalty
\$ 12,500	10% to federal 1.25% royalty

\$ 20,000	2% to natives
\$ 18,000	State share (90%)
\$ 2,000	Federal share (10%)

\$ 94,500	Net state royalty 9.45%
\$ 10,500	Net federal royalty 1.05%
\$105,000	

He explained that it showed the effective royalty with
native claims payments in action.

1.8% of the value of production goes to the natives on the
state's part and .2% on the federal part.

Mr. Barker said that the 2% off the top is 16% of 12 1/2%
which actually leaves them 84%. He explained that when they
took away the 2% it was a 16% reduction of the amount the
state would receive.

Mr. Barker explained that the most the state and federal
could lose was \$20,000 of the million because the natives
can only get 2% so the state and federal split the loss with
the state losing 90% of the 2% and the federal losing 10% of the
2%.

Mr. Warwick was concerned because they were appropriating more
than they had to from the General Fund. Mr. Fink asked if he
thought they should lower revenue projections, and Mr. Warwick
didn't think that they should go that far--they should just
show that part of it was not going to come to the state.

Milt Barker said that as long as the money is not paid out, it remained in the General Fund.

Mr. Ditman said that the way this bill was written the Governor could take \$610,000 from the General Fund and give it to the natives the day after he signed it and then somewhere down the road this could be adjusted.

Mr. Fink said that was why he didn't like it.

Mr. Barker said that the monies come in in August and February for code 709, but the rest of the code monies dribbled in each month.

Mr. Fink said that if they didn't pay within 60 days, the federal government would take the money out of federal aid programs.

Mr. Fink suggested cutting the sum down to \$558,933 and then breaking that down into two parts: one would be the direct appropriation and one would be the money they didn't receive.

Mr. Warwick suggested changing the language to read: \$458,000 is a non-warranted expense.

Mr. Fink said the Governor's position was "Why should we pay the federal government?" The money they would send back there apparently would not be transferred to the natives for a good length of time and that money, if invested, could earn a good deal of money. Egan said he wanted to pay the money directly to the natives so that the state could get the use of the money out of it. Mr. Fink thought that if they passed the bill, the Governor wouldn't send the money back there. Somewhere along the line, they would withhold the money, but it would take a while.

The Committee thought it a good idea to put language in to indicate that \$457,945 of the \$558,933 was non-warranted expenses.

Mr. Hogan said that since what they really wanted to do was record the fact that they want to make loss of revenue part of the official record, maybe they could just appropriate \$101,000 and then in the second section, make it an expenditure section which details the amount of revenue loss and states that it is part of the obligation and then go into section three.

[Mr. Kertulla arrives.]

Mr. Fink pointed out that there was a lot more money in the reclamation fund which the other western states got than there was in the 90%. He said he was not suggesting that they go to a reclamation fund.

RECESS

Meeting recessed at 10:50 a.m.

AFTER RECESS
11:00 a.m.

PRESENT All members. Mr. Myrt Charney of Budget and Management was also present.

Bill Mr. Hohman called the meeting back to order. He gave the
Assign- following bill assignments:
ments

HB 484 HB 484 (Appropriating \$1,500,000 to the Department
of Public Works) - Ditman

HB 471 HB 471 (Appropriating \$15,000,000 to the Department of
Economic Development) - Mr. Fink

HB 490 HB 490 (Appropriating \$1,500,000 to the Department of
Education) - Mr. Degnan

HB 510 HB 510 (Supplemental appropriation State-Operated School
System: \$160,000) - Mr. Wright

HB 516 Mr. Hohman said they would continue with their discussion of
HB 516. Mr. Hohman said they had copies before them of a draft
that incorporated the ideas they had been discussing. He asked
Mr. Charney what he thought about it.

Mr. Charney said it didn't incorporate their thinking. If the
draft was adopted, the monthly State Financial Reports were going
to have figures in two different places because all they were
going to show was an expenditure against appropriations. They
would not be able to find information on loss of revenues.

Mr. Fink said the committee wanted to make sure they couldn't
expend more than \$101,000.

Mr. Charney said it was just like their shared taxes. They
have the authority right now to pay out everything, but they
follow the formula of the law. He didn't see this as any
different.

Mr. Fink said that under shared revenues whatever comes in
is what they pay out, but the \$558,000 wouldn't be what came
in.

Mr. Charney said that was right, but they got the money under
that provision. He felt they ought to tell what the total state
contribution would be as well as the loss of revenue.

Mr. Fink asked Mr. Charney what he thought about changing the sum to \$559,000 and adding a statement that \$458,000 was a non-warrant expenditure. Mr. Charney said that would be fine.

Mr. Hogan asked whether if they created a sum appropriated from the General Fund which was not to be expended, that sum would lapse. Mr. Charney said "absolutely".

Mr. Fink said rather than write a check for it, they just off-set it.

Mr. Charney said that they had been using non-warrant expenditure for years. He said a typical example was when state agencies had to pay for a ferry ticket.

Mr. Warwick asked who non-warrant expenditures were written to, and Mr. Charney said that there was nothing to be written. They would just take the revenue up in gross--the amount they would have received had there been no settlement.

Mr. Hohman thought the Budget and Audit Committee clause should stay in the bill.

Mr. Hohman said they would have a Committee Substitute for HB 516 drafted for their consideration that afternoon.

RECESS

Meeting recessed at 11:40 a.m.

AFTER RECESS
1:35 p.m.

Present: All members.

HB 516 Chairman Hohman called the meeting to order and announced the committee would consider the COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 516 (an Act appropriating to the Office of the Governor for payments pursuant to the Alaska Native Claims Settlement Act; and providing for an effective date).

Mr. Degnan moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 516 be adopted in lieu of HOUSE BILL NO. 516 and that it do pass. Mr. Fink objected. COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 516 passed from committee with 5 "do pass" recommendations and 2 "do not pass" recommendations (Mr. Fink and Mr. Haugen voting do not pass).

The committee went into a discussion on the Court System Budget.

HOUSE FINANCE COMMITTEE
February 16, 1972
10:55 a.m.

PRESENT All members of the Committee. Representative Specking, and Charles Dickey, an intern with the Department of Public Safety, were also present. Mr. Joe LaRocca was sitting in.

CS for
SB 1 am Chairman Hohman called the meeting to order and said that CS for SENATE BILL NO. 1 am. (Act establishing an Alaska Police Standards Council) was under discussion.

Mr. Specking spoke in opposition to the bill. He said there had been considerable discussion in some of the small communities on the Kenai Peninsula where it was felt this would be a poor piece of legislation. The Seward Police Chief and the City Council felt it would put them into a difficult situation when it came to hiring. Mr. Specking said that basically he was opposed to the control this would impose because they would be getting a "super" police force to police the small communities. He said he was assuming that the bill hadn't undergone any changes since last year.

Mr. Specking objected to it being mandatory legislation. He felt if it were purely submissive, there would be merit to the bill. He stressed that the way the bill was written was not good from the view of the small community police officer.

He referred to a letter from the City of Seward indicating that it would create an additional financial burden on small communities that provided police service. It would require additional training that would result in increased salaries and increased operating costs. Thus, they oppose Committee Substitute for Senate Bill No. 1 amended.

Mr. Specking said that often the Police Chief in small communities have the opportunity to engage police personnel who are transitory in nature. This is one of the factors which would cause a burden. It makes it difficult for them because they cannot locate or cannot afford people with police background.

Mr. Dickey commented that he felt there should be some sort of minimum requirements set for smaller town policemen. He didn't feel that just anyone should be given a gun--this didn't seem a safe way to enforce the law.

Chairman Hohman said they would return the bill to the files until such a date when they could receive more testimony.

HB 8

Chairman Hohman said he would entertain a motion on HOUSE BILL NO. 8 (An Act establishing a plant materials center, Matanuska Valley).

Mr. Fink moved and asked unanimous consent that Committee Substitute for House Bill No. 8 be put out of committee with a "do pass" recommendation.

Discussion on the Committee Substitute followed. Mr. Fink pointed out that on page 2 of the 2-1-72 fiscal note the figure \$578,000 was shown. He explained that this had been cut to \$358,500. The second year would be something less than the \$172,000 which was shown in the fiscal note.

Mr. Hohman asked about the site determination, and Mr. Fink said that the whole program would be developed by the Department of Natural Resources and the University of Alaska Agricultural Experimental Station. They do not show Matanuska Valley as the site in this bill.

Mr. Fink said that if they took the base figures for the second year and did not increase them at all the amount would be \$84,500.

Mr. Fink's motion to pass out Committee Substitute for HB 8 with a "do pass" recommendation carried with no objection.

HB 475

Chairman Hohman said that House Bill No. 475 (An Act authorizing revision of agency operations plans under Executive Budget Act) was up for consideration.

Mr. Haugen said he wanted something in it about reclassification of personnel.

Mr. Hogan said that during the hearing the other day it was brought up that they didn't have authorization for temporary personnel under the presently authorized Executive Budget Act. Sometimes departments need to create a position for 3 or 4 months. Instead of putting these in as temporary positions, they thought that this could be done on a monthly compensation, and they could put them in as permanent positions.

Mr. Hogan didn't think it would be hard to write something into the law that would get at the problem. The best way the Budget and Audit Committee could control it would be to appropriate for reclassification and put binding intent language which would force the Division of Personnel to stay within the amount appropriated.

Mr. Fink moved and asked unanimous consent that they adopt the Committee Substitute for HB 8. No objection, so ordered.

Mr. Fink then moved and asked unanimous consent that the Committee Substitute for HB 8 be put out with a "do pass" recommendation. Mr. Ditman objected, but the vote carried 7 to 1.

RECESS Meeting recessed at 11:50 a.m.

AFTER RECESS

3:17 p.m.

PRESENT All members of the Committee except Mr. Ditman. Mr. Robert Reeves, Administrative Director of Courts, and Mr. George Morrison, Comptroller for the Court System, and Mr. Joe LaRocca of AP were also present.

HB 395 Chairman Hohman said that HOUSE BILL NO. 395 (Alaska Commission on Executive, Legislative & Judicial Salaries) was under discussion.

Mr. Reeves had a few comments to make. He had material prepared by the Judicial Council and had intended to make pamphlets available to them from the State of Arizona which has just passed such a bill. He said he would get the pamphlet to them in a few days. He said that this bill would set up a body who would do the homework for them and make recommendations. He thought it a good tool for legislation, and added that the Governor and the legislature had the power to say no to any of their recommendations. The cost of setting it up was negligible as the Commission received no salary.

Mr. Fink asked if other states had commissions set up in the way this bill would do it. Mr. Reeves said that in all the states which had it, the Commission sent recommendations to the legislature which became law unless voted down.

Mr. Reeves concluded by saying he thought the Commission was a good idea.

ADJOURN Meeting adjourned at 3:30 p.m.

AFTER RECESS

9:25 a.m.

Present: All members. Mr. Berrier and Mr. Charney were also present.

Bill Chairman Hohman assigned the following bills:

Assignment:

- HCR 28 HOUSE CONCURRENT RESOLUTION 28 (Relating to leases from ASHA) -- Wright
- HB 295 HOUSE BILL 295 (Relating to the Alaska State Development Corporation) -- Fink
- HB 556 HOUSE BILL 556 (Appropriating to the Department of Education \$1 to purchase facilities at Wildwood Air Force Station) -- Wright
- HB 523 HOUSE BILL 523 (Appropriating \$135,400 to small business revolving loan fund) --Fink
- HB 504 HOUSE BILL 504 (Supplemental appropriation to Department of Health & Social Services \$6,930,700) -- Degnan
- HB 644 HOUSE BILL 644 (Act increasing the so-called "school tax" & providing for a credit against the Alaska net income tax) -- Warwick

AFTER RECESS

1:40 p.m.

Present: All members. Senators Butrovich, Poland, Merdes and Thomas were also present. Max McGaughey, Alaska Methodist Univ., John Picton, Alaska Methodist Univ., Orin Strattan, Sheldon Jackson College, Don Dafoe, University of Alaska VP for Public Services, and Mrs. Julie Isaac were also present.

HB 603 Chairman Hohman called the meeting to order and announced
HB 609 that the committee would consider HOUSE BILLS 603 through 609 (this package of bills relate to higher education).

Dr. Dafoe gave a brief introductory statement. He said that they had not met with the Board of Regents and what he would say would in no way reflect the judgment of the Board of Regents. Dr. Dafoe said that Dr. Moyer would be present to testify before the committee tomorrow. He noted that he is the Director of Planning.

HB 603 Dr. Dafoe spoke on HOUSE BILL NO. 603 (an Act relating to the University of Alaska). He referred to language on line 12 which said the chancellor and the regional presidents shall attend meetings of the board. He said this does not constitute anything different as the regional presidents do now attend these meetings.

Dr. Dafoe said he did not see anything "startling different" about Section 3.

Dr. Dafoe said that on Sec. 14.40.207 University Council they now have what they call University Assemblies and this concept resulted from a study carried out by the faculty and administrative staff. He said these assemblies have their own by-laws and they function as a legislative and policy recommending body. Dr. Dafoe said this concept has some "bugs" in it and it is his personal observation they are sometimes bogged down with parliamentary procedure.

Dr. Dafoe also said that it was his personal opinion that he would question legislative matters which can already be done within the structure and not legislatively "locked-in", which would make it difficult to change.

Dr. Dafoe said that one important difference is that the legislation does provide that the action of the Council is subject to review and approval of the Board of Regents whereas presently the President has veto power.