

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2535

Mr. Henri said that \$54 million was the price it took to own the buildings. He compared that to what they were spending now in rents. He stated that the study that Bradley had done indicated over a 22 year period at the end of which time the buildings would be paid for. Mr. Henri said that when the buildings were paid for the cost to the State would be cost liquidating because they are spending as much now in rent as they will be in the next 22 years to own them. The difference is that at the end of the pay out the State will own the buildings, and no longer have to pay rent.

Mr. Henri said that annual rents now are \$3 1/2 million. The rent for these buildings annually including janitorial services, heat, electricity, etc. would be \$6 million, but over a period of years as rent needs increase, the figures would catch up with rent values so that in the 22 year period, they would actually save money by doing this.

Mr. Henri pointed out that these new buildings were to fill the State's needs until 1985. They felt it was better to build and expand into it than to build more later at a higher cost.

Mr. Wright said he would like documentation on how much the State would be saved, on how much of their own building they were doing. He also wondered whether it wasn't bad to build more space than was needed.

Mr. Henri told him that they needed 85% of the space right now, but there are projections showing that between now and 1985 they will be needing so much space.

Mr. Wright referred to the temporary building at the support for the Department of Public Safety. Mr. Henri said that the building had been done on a five-year permit and it had been put up before he was appointed. He felt that the building was certainly not appropriate for the records of the State of Alaska because those tin buildings were fire traps. However, at the present time there is no other place to put the records. He thought that the recent fire at the Community College was proof that they need fire proof buildings and adequate space for their needs.

Mr. Warwick commented that the provision for the Records Center was minimal compared to the provision for the Public Safety Building.

Mr. Henri went on to say that it had been the suggestion of their consultants that they house the Department of Public Works and the Department of Highways in the same building. He said that if the new Department of Transportation bill passed

they would be together. Even if the bill didn't pass, it would put the two departments in proximity for working relations.

Mr. Henri stressed that state employees are working in inadequate space, which leads not only to inefficiency, but makes for a public hazard to lives and safety.

Mr. Wright was concerned that they would vacate the Highways Building in Douglas which they had just purchased. Mr. Henri said it was true that the Department of Highways would move to the new building, but then they planned to move the Fish and Game Department out of its warehouse and into the building Highways was in now.

Mr. Wright wanted documentation.

Mr. Warwick thought that it looked like a 70% increase in rent. Mr. Henri said that was true for the first year, the "increase" depended on how much the space rents went up. They were taking a 5% inflation factor and a 5% increased space factor. He said the projections were that in Anchorage in 1983 it would save \$214,000 and in 1994 it would save \$4,257,000. In Juneau in 1994 they would be saving \$2,321,000. He admitted this was theoretical, though he felt they were decent figures. However, it was true that next year it would compress the budget with about a 1% increase.

Mr. Henri pointed out that the two labor buildings in Juneau and Anchorage would be paid largely by the federal government which pays the rent now for the labor buildings.

Mr. Henri noted that all of their figures included janitorial services, heat, electricity, etc., besides debt service.

Mr. Fink asked if there was a schedule for building, if they were to pass HCR 4. Mr. Henri replied that the thing about this was they would try to get everything under contract before pipeline construction began, because at that time construct people would be scarce. He said it was to the State's advantage to get these under contract because when the pipeline starts the present rentals would be able to find other tenants. Thus, if the resolutions passed they would contract all of the \$54 million this year.

Mr. Fink asked how firm the \$54 million figure was. Mr. Henri felt it was very firm. He said that no one else could tell them different requirements and assessments had been made on needs. He pointed out that in the Anchorage Courthouse where there had been so much trouble, the cost estimates had been made after the bill passed. In this case they had done

the study before the resolution was introduced.

Mr. Henri added that all of the costs were at 1973 rates.

Mr. Fink asked why they recommended ASHA bonds rather than G.O. bonds. He thought G.O. would be cheaper.

Mr. Henri admitted that the interest rate on G.O.'s was a bit less, but they would have to wait longer so the time factor would offset the decrease.

Mr. Fink said that this meant the reason they were going ASHA was because if the resolution passed, they would have the authority in June rather than the middle of November. Mr. Henri said yes. He added that it would be better to have the legislators do it without the vote of the people, because it was a hard matter to educate voters on and the same amount was being paid in rent anyway.

Mr. Henri pointed out that the last ASHA bonds had been sold at 5.76% interest and the G.O. Bonds went at 5.2%, so there was no vast difference.

It appeared to Mr. Fink that they could count on 1% difference between G.O. and ASHA bonds, and over the life of the bond, that is about \$5.5 million more expensive. Mr. Henri protested it wasn't that much. The last sales of ASHA bonds was in January and G.O. bonds was in February, and the spread was only about 4/10%. Mr. Fink said it would still be \$2.5 million more.

Mr. Henri noted that in 1960 there had been two G.O. bond issues to build office buildings in Anchorage. The people had voted them both down, so the State just had to pay that much money and more in rent.

Mr. Fink said they could get the rent money back going G.O. bonds and save money on interest.

Mr. Henri said that ASHA acts as a holding corporation in this case. The State pays the debt service and takes care of the property. ASHA merely holds the title. It would be a State expense.

Mr. Henri reiterated that the rent this year was \$3.5 million total. In 1974, with all of the additional buildings, the cost will be \$6 million.

Mr. Fink said the buildings were for a period of 13 years. He asked if they couldn't build them gradually.

Mr. Henri said it was better to do them all now because of construction costs. Anyway, he stated that the bulk of the square footage was needed now.

Mr. Fink said it would be a 2% increase over the entire budget. Mr. Henri said all new monies were offset by demonetization in rent payments.

Mr. Fink asked if they had that much square footage in rents that could be vacated in one year. Mr. Henri replied they had arranged leases with these projects in mind.

Mr. Fink pointed out that there was a three year lease on the Fish and Game building in Anchorage, so they couldn't vacate that. Mr. Henri told him that if they started building today they wouldn't be completed in three years time.

Mr. Fink asked if the debt service was paid after the building was completed. Mr. Henri said that there was no debt service until 1975. The interest was capitalized. The capital amount of bonds was enough to pay interest during building. The State doesn't have to pay rent until it is occupied.

Mr. Fink said that the legislature never had any idea what the rent would be until the building was completed. Yet, the resolution said they would be paying in excess of \$12,000 in rent.

Mr. Henri said the study was made so they could know. Mr. Fink protested that wasn't a matter of law.

Mr. Fink requested a list of all buildings the State rents from ASHA showing what they were paying per square foot, and what was included--insurance, utilities, etc. Mr. Henri said he would furnish it.

Mr. Fink asked if rents from private attornies were lower or higher than ASHA. Mr. Henri said it was difficult to compare because of the types of facilities. ASHA rents also depended on the type of bond being used. For example, the State Office Building on Willoughby Avenue was high rent because the bond was only for a term of 15 years. That had cost \$13 million and was to be retired in 15 years because of the 7% interest limitation. The bond for the projects in the resolution would be for 20 to 25 years.

Mr. Fink asked for an up-to-date chart for cost of renting space from private enterprise compared to cost of renting space from ASHA.

Mr. Henri said that every dollar paid to ASHA was involved in their own equity.

Mr. Fink said that some of them had an extremely difficult time understanding why Juneau needs an \$8.5 million court building for one Supreme Court Justice, one and one-half Superior Court Judges and two District Court Judges. Mr. Henri said that he had nothing to do with that figure. It had been decided by the courts. They said exactly what they wanted and needed. Then the Department of Public Works authorized the final figure and presented it to ASHA. He emphasized that ASHA was a vehicle, they don't take the lead. The State says how much is needed, and ASHA builds it.

Mr. Henri said that although the resolution included court facilities in some cities, Juneau was not one of them.

Mr. Fink asked if determinations had been made on the size of the court building in Fairbanks. Mr. Henri said that determinations were in the study which had been made by the Space Utilization Analysis Corporation. They got their figures by consulting the court, others involved and their own judgment.

Mr. Fink asked if his Department made final determinations as to the size of the building. Mr. Henri said the determination was already made. Mr. Henri was willing to pledge that if the resolution was passed, this study would be what they will do unless unforeseen developments come up.

As Mr. McVeigh saw it, what Mr. Henri was saying was that he provided administrative service to get administrative work done. That was all done by the study.

Mr. Henri said he was relying on that study. He was willing to commit these figures would be what was used, unless the legislature gave them something else.

Mr. Henri said he had acquiesced in the courthouse, but had taken no positive lead--it had been legislative initiative. On the resolution projects, however, they had taken the lead.

Mr. Warwick asked when the bonds for the courthouse were sold, and Mr. Henri said early January. Mr. Warwick asked when the study had come out and Mr. Henri said later in that same month. Mr. Warwick asked why they hadn't waited for the study. Mr. Henri said that the consultants were from Las Angeles, and merely advising the state. The consultants had been brought in particularly to do the projects before them. While in Juneau they had looked at the Court System and said what they

needed. The Court System said they needed more than what the study people said. Mr. Henri had let that go because no study was done prior to passing the legislation.

Mr. Warwick thought they might be building 50% more than they need. Mr. Henri couldn't tell him that. He said they give the Court what the Court said they would need. The Court said they would seek due consideration. They had called in consultants for this. He noted that they hadn't actually gotten everything they asked for--there was a cafeteria and tunnels, etc. which had been cut out.

Mr. Huber said he had been talking with certain judges who had indicated they were going to take it clear to the legislature. He stated the Court consistently reserves the right to go to the legislature.

Mr. Holm said they were authorizing more than \$12,000 annually for this list of buildings. He wanted to know what was to prevent a switch in cost and complete reshuffle. He had seen it before when language read "includes, but not limited to". He wanted to know the control the legislature had.

Mr. Henri said he had been careful to give them exact representation. Interest had been figured at the maximum of 7%. The cost per square foot would very likely be less--he didn't know how they could increase the square footage. He thought the study was adequate analysis except for the creation of new agencies. He explained that after the study was done, the Division of Fisheries Rehab came along, and this required more space. There was also expansion in the Department of Natural Resources to include a Geological Surveys section, so they need more space. He said that other than that type of things, the figures were very accurate. Mr. Henri told Mr. Holm they could either be tied down to gross or net square footage or dollars.

Mr. Holm said that they were building at a 5% need, but that need wasn't always satisfied. Mr. Henri said the projections for increase were conservative. He said that in the last 4 years they had gone up 20.9%. He couldn't see anything wrong with owning the real estate. They would be developing a worth they aren't developing now.

Mr. Henri wanted the Committees to know that because the Community College Building had burned down in Juneau they had to purchase three trailers to house the Division of Personnel. The trailers are 24 feet wide and 64 feet long.

RECESS Meeting recessed at 3:00 p.m.

AFTER RECESS

3:25 p.m.

PRESENT Members of House Finance and House State Affairs Committees. Mr. Ken Gain and Mr. Ernie Spink were present representing ASHA. Commissioner Henri from the Department of Administration; Mr. Dick Bradley, Director of Supply; and other Department of Administration staff members were also present.

HCR 4 Chairman Hohman called the meeting back to order and said they would continue discussion of HCR 4.

Mr. Henri introduced Mr. Bradley and said he was in charge of operating space.

Mr. Bradley said he had asked to be allowed to testify because there were certain items he could clarify. He said there had been discussion concerning the Public Safety Building. He explained that had originally been set up as an interim measure to allow more room for the legislature in the Capitol Building. The temporary building had been designed at a minimal cost. They had hoped to use the building as a warehouse facility at some future time.

Mr. Bradley said they had also been asked to compare ASHA lease costs to those now paid to private enterprise. He said this was difficult to do. For example, they have people in Nome without adequate plumbing. If space is compared, ASHA leases will be higher, but they are also amortizing the cost of the building and equity.

Mr. Bradley said that when they were discussing the Juneau Court Space amount as greater than what was projected in the study, he didn't know if that was true. The study only included construction costs and didn't include engineering, land acquisition etc. They don't get any more space than what is projected. Mr. Bradley said it was about 20% to include engineering design and architectural work.

Mr. Bradley stated that part of the land belonged to the State now.

Chairman Hohman asked if they would make property costs available to the committee.

Mrs. Fisher understood the Courthouse would have a lot of open space in front of the capitol, so it wouldn't take up a full block. Mr. Bradley said that was correct. Mr. Hohman noted they had a schematic of the block in committee.

Mr. Fink said they estimated the cost at about \$8.7 million. He said that page 140 of the study showed \$6.3 million for the cost of the building and page 143 showed \$2.5 million for parking. He said the parking was for the court facility and other state employees. Administration would assign the parking.

Another point Mr. Bradley wanted to bring up was that in Anchorage they have 49 State leases and in Juneau they have 41. In Kenai there were five, in Nome 14, in Bethel 16, in Sitka 8, and Barrow 3.

Mr. Bradley said that in Juneau the Division of Personnel's Building (Community College) had been condemned twice, but it was the only space available of that quantity to rent.

Mr. Rose said that the main reason he hadn't felt there to be any problem with the new Capitol Building was because he had understood that it could serve as a regional office building, but if they were going to build an additional building for that, he felt there was a problem.

Mr. Bradley said initial priorities could be established.

Mr. Wright worried that the resolution would be like writing a blank check. Mr. McVeigh said he thought they were asking the impossible if they wanted Mr. Henri to assure them the projects would be done within the budget set out. Mr. Fink said they could go back and redesign if they went over the budget. Mr. Rose said that the University of Alaska had reported they had stayed within the dollars by making design changes and still getting the same amount of square footage, so apparently it could be done.

Mr. Henri said they were presenting a square footage down to latrines. That is what is needed, and it is open for legislative consideration. They are not giving them something after the fact. Mr. Henri said that if the resolution was authorized, that is the amount of square footage that will go to competitive bid the day that they get out there, and the result of that is what will have to be paid. He said the study told the kinds of buildings these were.

Mr. Rose said that by and large they could count on a 10% average for expenses after going to competitive bid.

Mr. Gain explained that after the bonds were sold and they came in for extra, the charge didn't get included. But Mr. Rose said that if there was an architectural error, they weren't going to keep it, and it might cost more money to make it right. Mr. Gain said that 10% was rather high.

Mr. Bradley said that normally they figure contingency in their figures.

Mr. Spink explained that every contract let to an architect to design had an automatic provision that they were required to redesign in the event Public Work's estimate is exceeded by more than a minimal amount. 10% is the contingency built in. He said that within their experience there had been no serious discrepancy along that line. They have built in an unexpected contingency factor for bonds completed for so many years and for an investment program to do additional financing. He said no change could be approved without the signature of the Director of ASHA.

Mr. Spink explained that they had built in a contingency factor not normally recognized as that. Due to the number of factors included, the interest rates for the bond issue which included the Juneau bond issue amounted to \$2.9 million. \$1.75 million included the interest earned during the construction period. He said that ultimately it would exceed \$3 million. All service funds and gains from any source--when the project is completed--will be used solely for the benefit of future projects.

Mr. Spink said the Juneau building had a remarkable thing happen because the estimate was exactly \$9.5 million and \$9,546,000 was bid, so there was no liability.

Mr. Spink didn't see why they should object to a dollar maximum being placed on the buildings.

Mr. Wright asked who made the estimates, and Mr. Spink answered that the Division of Buildings together with the Division of Architecture make the estimate which was then reviewed by ASHA's technical director.

Mr. Rose asked whether in the past there has been anything in the way of bond on errors or omissions policies required for architectural and engineering services. Mr. Bradley said that getting an errors or omissions clause would be protection for the architect. Mr. Rose said it would be protection for the customer. Mr. McVeigh agreed, but said that it also protected the architect because the insurance company paid the bill.

Mr. Henri didn't know that the contracts didn't require that now. Mr. Rose said he had never seen one that did.

Mr. Hohman asked if it was required in private enterprise and Mr. McVeigh didn't think it was.

Mr. McVeigh thought they should require the Commissioners of Administration and Public Works to look into this thing in terms of regulations. He thought it was desirable. Chairman Hohman agreed.

Mr. Gain also thought it would be a good idea to explore the possibility.

Mr. Fink asked Mr. Spink to explore what ASHA did in this program. Mr. Spink said that upon passage of the resolution they would have the Department of Administration set up priorities on construction. When the priorities are set up, ASHA takes the present estimates or the amount of money allocated. He explained that they take the money which was used in 1970 for general obligation and add them together. With that amount of money they have to capitalize on interest. ASHA will publish an official statement and solicit all the more important or large underwriters. The bids will be offered for public sale. They will proceed to prepare gross demands. They receive the money and invest 100% of it until they get a construction schedule. Then they make up a graph on approximately when the money will be needed.

Mr. Fink asked who designed the building. Mr. Spink answered that the Division of Buildings was responsible for placing the contract with the Architect. He said that in many cases the State already owns the land.

Mr. Fink asked when they came up with the design, and Mr. Spink said that in many cases after the bonds are sold, and in some cases before.

Mr. Spink explained that in this case they have something to go on, but no concrete bid. Because of the absence of concrete money, they are unable to go to bid.

Mr. Fink asked if they said how much they were going to spend when they put out bids for bonds. Mr. Spink said they spelled it out with a maximum dollar cost.

Mr. Fink asked what they did after they sold the bonds. Mr. Spink said they put the arm on the Division of Buildings to get going. They demand a contract between ASHA and the contractor so they can reject any bid that comes in. From there on they do investigations on implications and changes which are built into bid money. They reject bids if they are over the maximum. They are building up a reserve if they have money left over. That money is invested in a General Fund Revolving Fund for the benefit of future projects. He said that if there were no future projects the money would probably revert back to the State.

Mr. Fink asked how much was in the revolving fund. Mr. Spink said that was difficult for him to say. The projects were in different stages, but as of now there was probably \$750,000. That money can only be spent for a future project when the project it was derived from is completely closed out. It cannot be touched as long as the construction is not finished. The money that is there now comes from 1966, 1967, and 1968. They won't be able to see the 1969 money or the 1970 money until the projects are sufficiently advanced. They could have another million dollars in the fund, but they won't know for another 3 years.

Mr. Fink asked about changes in the design of the building. Mr. Spinks said that would be initiated by the Division of Buildings and approved or disapproved by ASHA and discussed with the Department of Administration.

Mr. Fink asked how many ASHA people were working on State leases. Mr. Spink said himself, the man who did the financing work, and part-time work from an accountant and an executive representative.

Mr. Fink asked how many people were working on the new courthouse. Mr. Spink said there were none at the present time. That project is now in the hands of the architect and the Division of Buildings.

Mr. Fink asked if ASHA charged anything for services. Mr. Spink said they just charged for the amount of time spent. That is included in the figure for design and implementation.

Mr. Fink requested the amount of money ASHA receives for administration of State leases. Mr. Spink said that \$5,000 a year was built into the rent to pay the trustee and ASHA.

Mr. Warwick asked how many employees ASHA had, and Mr. Spink said that throughout the State there were probably about 100.

Mr. Warwick asked how they allocated operating expenses. Mr. Spink said everybody charges time to the projects they worked on.

Mr. Rose had a problem understanding one thing. He figured the average per square foot at about \$45.60, but for the individual projects it ranged from \$32.50 to \$78.00.

Mr. Bradley explained that land cost was included as well as architectural and engineering expenses so that the figures weren't honest base figures. Without all of the extras added in, he said it would be about \$45 per square foot, for construction cost.

Mr. Bradley added that court facility construction was more expensive--about \$65 per square foot.

Mr. Wright asked Mr. Hogan to check with Commissioner Easley to find out if when they talk about construction costs they are talking about administrative costs being included.

ADJOURN Meeting adjourned at 4:50 p.m.

HOUSE FINANCE AND HOUSE STATE AFFAIRS COMMITTEES

March 1, 1972

8:45 a.m.

Present: All members except Mr. Ditman. Representatives Barber, Holm and Fischer, Mr. Ken Gain, Mr. Ernie Spink, Alaska State Housing Authority, Mr. Dave Roderick, Housing Finance Corporation and Commissioner Kadow of the Department of Commerce were also present.

Chairman Hohman called the meeting to order.

Mr. Roderick introduced himself as consultant to the Alaska Housing Finance Corporation. He stated that he was before the committee at the Chairman's request in order to explain the corporation's activities to date.

HB 167am Mr. Roderick said that HOUSE BILL NO. 167 am (SLA 71, Chapter 107) which passed last year created the Alaska Housing Finance Corporation which had powers to do anything in mortgage building finance business; there was no appropriation and the corporation became the "brother or sister" agency of the Alaska State Housing Authority. Both ASHA and HFC have the same board of directors and executive director. Mr. Roderick went on to say that he was employed to look into implementing the program as of July 1, 1971.

Representative Fink asked whether Mr. Roderick was employed or contracted, and Mr. Roderick stated that he was contracted.

Mr. Roderick stated that the act has two major areas of activity: 1) the banking area, where money is taken from any source and loaned on direct loan to businesses or to people who come to HFC for either loan mortgage or development; 2) mortgage lending area, where rules and regulations differ from the banking situation. The latter area has become the HFC's course.

Mr. Roderick said they had investigated thoroughly and found no money or financing available. They had gone to Commissioner Wohlforth, Department of Revenue, and he had told them if they packaged the loans correctly then the Department of Revenue would give consideration to loaning HFC the money.

Mr. Roderick explained that they packaged five loans and investigated and negotiated the possibility of

lending this money directly to the ultimate borrower. However, they had found that they had no money. Mr. Roderick said they had corresponded with other states and each of the states had written back that what they needed to do was to get a mortgage man. He said they had hired Robert Godford, from NBA, who was the best mortgage man they could find. Mr. Godford was hired in December and Mr. Roderick said this shifted the emphasis of the Alaska Housing Finance Corporation from a direct lending agency to a mortgage agency.

Representatives Kerttula, Peratrovich, Rose and Randolph entered the meeting.

Mr. Roderick explained there was an amendment to the act for the HFC to include moderate income as well as lower income persons. (This amendment was in HOUSE BILL NO. 713 which was discussed later in the meeting).

Mr. Roderick said the other change in the act (this was also in HOUSE BILL NO. 713) is to request that the legislature grant HFC the authority to invest money prior to going to mortgages.

Mr. E. Wilson, Deputy Commissioner of Commerce, and Representative Bowman entered the meeting.

Mr. Roderick spoke on the recommended income limitations. A chart was distributed to the members.

Mr. Wright referred to the chart noting that a person making \$10,000 a year in Ketchikan would be classified as low income. Mr. Roderick said this was correct. Mr. Wright said he did not think that the figures on the chart are realistic.

Representative Holm asked if the federal criteria for low income is used in this chart. Mr. Roderick said this is the federal criteria for the State of Alaska plus 10 per cent. He said the reason they had gone 10 per cent over the federal criteria is because they have two or three lower income apartments which they cannot keep filled by using the federal criteria. Mr. Gain said the Housing Finance Corporation will only pick up those people who are above the public housing market.

Mr. Wright asked if this was establishing limitations

for the purpose of 235 and 236 housing. Mr. Gain said no, this is separate.

Mr. Roderick explained that the legislature had said they would lend money to low income persons so they had determined what they thought this was.

Discussion followed on what is meant by low income. Representative Rose said that the State through the Department of Revenue would have a good indication of what low income is and he thought this should be compared with the figures presented by HFC. Representative Rose said he would like to have the statistics telling how HFC arrived at these figures. Mr. Gain said this was based on a survey by the federal government. Mr. Gain said he thought they were talking about a goal and this goal is to allow the opportunity to provide better housing for the people.

Resolution No. 23 adopted by the Board of HFC had been distributed. This was entitled Recommended Criteria for Multi-Family Loans.

Mr. Hohman said that lower income would suggest something higher than low income. Mr. Roderick said this is how they had interpreted it.

Mr. Hohman said they have a real housing problem in Bethel. They will be 100 units short this fall. Mr. Hohman gave an example of a teaching couple who could come to Bethel. They would not qualify under the Recommended Income Limitations chart yet the same couple could live in ASHA's low income rentals. Mr. Hohman said he felt with these restrictions they were precluding ever providing this couple with housing unless the federal government or state comes in at a much higher cost.

Mr. Roderick said that ASHA's housing program at Bethel is very complex. It was designed for low income but because of the need in Bethel they received a waiver and accepted people who make in excess of the limit on income. He added that this is the only place in Alaska where this is true.

Mr. Hohman said this would seem to be a federal problem. Mr. Gain said he thought this was a good point and said there are inconsistencies in the federal regulations. Mr. Hohman said if they adopt the standards on the chart he thought they would be ignoring a real housing need. Mr. Gain said this was well taken but their

problem was what do they say is lower. Mr. Hohman said he felt they should look over the situation that exists in Alaska. Mr. Gain said this new amendment would allow moderate income. Mr. Hohman said he felt their guiding principle should be to satisfy Alaska's housing needs. Mr. Hohman spoke on the problems of building a house in Bethel noting it was almost impossible for an individual to do this.

Mr. Wright suggested that a sub-committee be appointed from Finance and Commerce to come up with some recommendations on this.

Mr. Fink asked if they had invested \$24 million in the purchase of mortgages. Mr. Roderick said they haven't yet, they have bought about \$11.5 million. Mr. Fink asked where these were bought. Mr. Roderick answered 5 FHA's, 15 VA's and 21 235's. Mr. Fink asked what interest rate these paid. Mr. Roderick said they yield about 6 5/8%. In answer to Mr. Fink, Mr. Roderick said there is 3/8% for servicing. He said there are some closing costs but they are within the frame work of the mortgages. Mr. Roderick said the banks are taking the 3 1/2 points. Mr. Fink said they have not done anybody any good. He said if they had bought at 7% at no points then this would have helped. All they have done is just maintained the existing mortgages. Mr. Roderick answered that the market has fluctuated quite drastically. He said that Mr. Fink was right on the 5 FHA's.

Mr. Fink said if they borrow at 3% why do they charge 7% plus 3 1/2 points -- why is it necessary to make that kind of profit.

Representative Huber entered the meeting.

Mr. Roderick said what they had done last year was to pass the law for the HFC with no money to implement it. They are operating on a loan from ASHA. He said the main part of this program is stabilizing the money in Alaska. Mr. Fink said he did not think there was any point in HFC existing if they didn't offer something different to the people.

Mr. Fink said if they are going to buy FHA's and allow the banks to get a full d'scount, what good have they done. He said if they would have made loans at Bethel or Barrow even at this high cost

then they would have provided a service but this had not been done. Mr. Fink said he maintained that they do not need the spread between the long term bond cost and the 7%.

Mr. Roderick said they owe ASHA \$90,000. He said HFC needs to make a profit so they can get started. Mr. Fink answered that the spread on \$20 million is a "hell of a profit".

Mr. Fink asked why they allow the lending institutions the 3 1/2 discount. Mr. Roderick said this was a valid point but at this juncture they were trying to get out of debt, so they can use the money for other areas where the banks do not go.

Mr. Fink said they had originally intended HFC to get money from the Commissioner of Revenue. He asked if Mr. Wohlforth had told them how much money he had for this. Mr. Roderick answered no, the state does not wish to have money tied up in these long term mortgages. Mr. Fink said they did not intend for HFC to go to the bond market. He said the law provided they could do this but he thought the intent was they should go to the Commissioner of Revenue. Mr. Roderick said that out of 35 pages of law there are 25 pages dealing with them going to the bond market.

Mr. Roderick said he might be wrong on the discount points -- they go exactly where the standard FHA's discount goes.

Commissioner Kadow said the Board understands these mortgages may be purchased from banks at no discounts. He pointed out that the Board will be meeting next week.

Representative Kerttula suggested that the Finance Committee could heard testimony from Board members.

Representative Fischer said the whole intent of the HFC was to bring down the cost of housing in Alaska. She said as she understood it the Department of Revenue was to pick up the loans. She said she did not anticipate that they would be going to the banks. She said that she had been lead to believe that the Department of Revenue would put \$50 million into this program. She said they had wanted to make it easier for persons to purchase homes and that what had started out as an ideal situation had ended up "pretty hairy."

In answer to Mr. Fink, Mr. Roderick said they had spent a number of weeks of negotiation regarding interest rates with the Department of Revenue and had finally arrived at the conclusion they would loan HFC money at 5%. He said in defense of the Commissioner of Revenue they had only received five requests for loans none of which had been from the bush. Mr. Fink said they had announced that they have a program.

Mr. Warwick referred to a recent article in the Anchorage Times. Mr. Roderick said their staff had furnished the newspaper with this information but they had not drafted the information.

In answer to Mr. Fink, Mr. Roderick said the law says they may invest in government guaranteed mortgages and some conventional "non-guaranteed" mortgages. He said that approximately 10% of their total amount available is for conventional loans. Mr. Fink ask what amount would be available for FHA's, VA's and conventional. Mr. Roderick said this intent has not been made. He added that their Resolution 23 presents the recommended criteria for multi-family loans.

Mr. Fink asked what happens to the individual who wants to build in Bethel. Mr. Roderick said if this person could get a bank loan the legislature has precluded their ability to compete.

Mr. Fink asked if they were going to make loans at 7% and no points. Mr. Roderick said he could not answer this. Mr. Roderick added that they had interpreted the law to mean they could not compete with banks.

Mr. Roderick said they would buy from any mortgage lending institution at the standard rate of interest minus service fees and the discount would fluctuate. He said he would assume this would be maintained at 3 1/2 points to stabilize the market. Mr. Fink asked what was meant by "stabilizing the market". Mr. Roderick said their income limitations make people eligible for mortgages. He said the law requires they pre-condition their loans. He added that these mortgages did not exist prior to the time they tell the banks they will purchase them. Mr. Fink requested a list of the mortgages showing the dates they were made and who got the discount.

Mr. Fink said that perhaps the law should be changed. However, before any amendment is made to the act he felt they should know what direction the Board is going and what the rates are and what the discount will be. Mr. Kerttula said that the Commissioner of Revenue had ran into the same problem of interpretation. He suggested the Finance Committee might wish to redesign this act.

Representative Rose requested the committee be furnished with a breakdown on the population figures used to arrive at the conclusions on the recommended income limitations.

Mr. Degnan asked if a person outside of an incorporated community would be able to get a loan. Mr. Roderick said yes if they let them know they wanted it; however, they would not be able to get a FHA or VA loan.

Mr. Fink said he felt they should have a hearing on this after the Board has met and comes up with a new policy. He said he would like to know what kind of answer they will promote for the urban areas.

Recess: The meeting recessed at 10:07 a.m.

HOUSE FINANCE AND STATE AFFAIRS COMMITTEES
AFTER RECESS
1:40 p.m.

Present: All members except Representatives Ditman and Haugen. Also present were Representatives Fischer, McVeigh, Huber, Holm, M. Miller, Ferguson; Mr. Cottrell of Legislative Audit; Mr. Ken Gain, Mr. Wayne Johnson and Mr. Ernie Spink of Alaska State Housing Authority; Mr. Dave Roderick, Alaska Housing Finance Corporation and Department of Commerce Commissioner Kadow were also present.

HB 713 Chairman Hohman called the meeting to order. He referred to HOUSE BILL NO. 713 (an Act relating to Alaska Housing Finance Corporation) which had been introduced earlier in the day. He mentioned this bill was basically a continuation of the morning's discussion with Mr. Roderick, consultant to Alaska Housing Finance Corporation.

Mr. Roderick stated that the bill had been drafted by a New York bonding council. He added that their corporation had asked for their opinion on bond ability of this agency. The corporation told the council of their problems.

Mr. Roderick said that if HFC goes out into the bush, the income limits are not set high enough to do a mortgage job that is necessary (in terms of technicians needed in that area); he stressed the fact that the bush areas do need the money lending program, and added that it was necessary to change the "lower income" limit to "moderate" income (page 8, line 9 of HB 713).

Mr. Roderick mentioned the number of requests which the committees had brought up in the earlier meeting. He said he had contacted the Anchorage office during the noon hour and had managed to come up with some answers. He spoke specifically of the request made for the kinds of determination which HFC had made when they drafted the Recommended Income Limitations. He explained that the requirements are set in the bill (page 8, lines 15-25). He stated that the corporation will supply the committee with all of their data used for these recommended incomes.

Chairman Hohman stated that the committee would formalize their request of this information in a letter and send it to the corporation.

Mr. Roderick stated that all mortgage purchases so far have been in the Anchorage and Fairbanks areas.

Regarding the morning discussion on the subject of "discounts" Mr. Roderick said that if they did go to no discount this would be an advantage to the builder. He explained that the discount is the cost of money to the builder and that HFC is taking advantage of the discount now. Mr. Roderick said HFC is trying to work out a program to give the advantage to the ultimate consumer and the only way to do this is to drop the interest rate. He said that HFC had considered a plan to drop the interest rate once they went to bonding. He said when they drop the interest rate this would transfer the savings to the person who owns the home. He said they will know the answer on discounts after the Board's March 10 meeting.

Chairman Hohman acknowledged that Wayne Johnson, member of the Alaska State Housing Authority Board of Directors was present.

Representative Fink asked how long any one member had been with HFC. Mr. Roderick stated that he had been with the corporation since July. He added that part of his responsibility was to implement the act. A mortgage man is more important than a bank-oriented lawyer, so a mortgage man and his secretary were hired in September, and since that time HFC has operated as a mortgage bank.

Representative Fink said that HFC is required to notify the public of their program. He then asked why the corporation had failed to do so. Mr. Roderick said that HFC hasn't indicated to the people across the state that there are funds available for low income loans, but they had published rules and regulations for the board and staff. Mr. Fink requested a copy of this.

Mr. Roderick said that mortgage companies and banks get series of rules and regulations concerning loans but that rules and regulations have not yet been published for general consumption on loans to people in the bush. Representative Degnan asked why this had not been done and Mr. Roderick replied that the phase of the direct lending program to the bush areas is

very difficult. He said they cannot loan to people who are poor because they have no money to lend them. He did add that the corporation had worked with the Commissioner of Revenue for extended periods of time so that in the building period of 1973 they expect to have \$5,000,000 to \$7,500,000. He said that two or three of the five applications for loans for direct lending came from Juneau and Anchorage; the others came from the bush area.

Representative Fink stated that such a situation was bound to happen if HFC didn't publicize the program. Mr. Roderick stated that when HFC started, he had traveled to Nome, Bethel and Kotzebue to alert everyone regarding the need of use for HFC.

Representative Fink asked why HFC couldn't have rules and regulations for the bush areas since they have them for banks. Mr. Roderick answered that they will have.

Representative Degnan asked if \$7,000,000 would be enough to take care of those in the bush areas. Mr. Roderick replied that \$7,500,000 will be more than HFC could build. He added that HFC is in constant touch with ASHA, and that ASHA knows the needs. He said perhaps this can be "dovetailed" with several other programs.

Mr. Gain explained that HUD has a statewide planning survey based on income census statistics. He added these statistics should be available in seven days.

Representative Fischer said that when HUD and AFN get in the action that would be for a certain type of Housing. She then referred to HFC's moderate type of housing where the loan is made and will be repaid. She asked Mr. Roderick if he thought \$7,500,000 would cover both programs. Mr. Roderick said no. He said on a conventional mortgage loan, the only security available is that person's income and the mortgage on property -- this is a conventional bankable loan. If it is not bankable, HFC has the right to determine if it is bankable from their standpoint and would be able to do this (if this bill passes).

Representative Fischer said that \$7,500,000 does not sound like a lot of money considering the state would be getting into moderate incomes too.

Mr. Roderick stated that it was not a lot of money. Representative Fischer then asked why \$7,500,000 was set if it was thought it was insufficient. Mr. Roderick said that HFC had been an agency since May, and that it had to do some "crawling" before they could "walk". He went on to say that if the legislature wants HFC to move into banking, then they must employ more people.

Representative Fink said he did not think HFC has improved anybody's situation. He said he hoped after the Board meets they will present something new but at this point he did not see it. Mr. Roderick stated that the program has not been a total loss.

Representative Fischer stated that she wanted to meet with the Department of Revenue to pin this down. She said the legislature thought the money would come from Revenue for the purpose of promoting homes for Alaskans. Mr. Roderick said HFC felt they had accomplished this in terms of bonding. Mr. Fink stated that HFC had not benefitted the public.

Mr. Roderick said the problem the state refers to is lending money for 40 years. HFC had a way of getting around this by at the end of five or seven years, using state funds and then going to additional bonding. Representative Fischer asked if 20 or 30 years for notes would still present a problem. Mr. Roderick answered yes.

Representative Fischer then asked from what source the money could be obtained. Mr. Roderick stated if HFC could expand their lending ability then they hoped to find other funds to lend.

Representative Fink asked if HFC had developed upon this at all. He continued, asking if HFC now intends to make any direct loans. Mr. Roderick replied that HFC always intended direct loans if revenue funding was available but the question is how many loans. He added that there is one problem in that some of the needs will not come through banks.

Mr. Roderick said that HFC is developing plans so 10% of their bonds will go into conventional loans.

Representative Holm asked who assumes the Public Relations on the situation and what incentive banks have to solicit loans. Discussion followed.

Mr. Roderick stated that banks have the ability to loan \$24,000,000 and charge a 3/8 service fee. He added that HFC would go out to the bush areas ahead of the banks to tell people what program and services are available. He said they also intend to utilize a system of workshops with ASHA in those areas.

Mr. Warwick asked what are the overall objectives for HFC. Mr. Roderick said their primary objective is to do just what the committee has "hammered" into them -- to get into areas where banks do not loan money. He said to do this they have to have some money. To do this they have gone to bonding. He said they cannot go into the bush except for the 10%. He said they plan to make a profit and then the profit can be used as money to lend. He said they will go to the Commissioner of Revenue to get money to lend. Mr. Roderick said their second objective is to stabilize market money in Alaska. He said their third objective is to pay their salaries and to pay back ASHA.

Mr. Hohman left the meeting.

Representative McVeigh asked if they had any serious discussions with the Commissioner of Revenue on turning lose some of this money. Mr. Roderick said the Commissioner had come to their last Board meeting and they had met with him for a period of three hours. Mr. McVeigh asked if he had specified any amounts and Mr. Roderick said no, this was just a general discussion. Mr. Roderick said he had made the commitment that this money would be available.

Representative Fischer referred to page 2 of the bill regarding surplus. She said she did not believe that any treasurer would admit to a surplus. She asked if amending this would help HFC. She also asked if a mandatory contribution should be added. Mr. Roderick did not answer the question on surplus. He said that a mandatory contribution would certainly enable them to program a good deal better.

Representative Barber asked if there was any possibility of there being money available from the Commissioner of Revenue. Mr. Roderick said yes, he was sure there would be. Representative Holm pointed out that the Commissioner has unlimited control over making this recommendation.

Mr. Fink said they have two options -- they can appropriate money or put in the mandatory clause.

Representative Fischer said she thought this should be made mandatory so that HFC will know what they are going on. She said she would request that HFC notify the Finance Committee what the figure they could work with would be (the minimum). Mr. Roderick said they would come back in March with this.

HCR 28

The committee then went to a discussion on HOUSE CONCURRENT RESOLUTION NO. 28 (Relating to leases from Alaska State Housing Authority).

Mr. Gain spoke on the bill saying that the big consideration is the need for a Pioneers' Home in Anchorage. He said he felt that the Commissioner of Administration could provide information on the backlog of applications for the Homes.

Mr. Fink asked if Mr. Gain was aware of the federal law that would provide that the federal government would pay rent for this -- they would not pay this to the state but would pay it to a separate agency. Mr. Gain said that according to a consultant on federal funds this is correct. Mr. Spink said that the information they have is that the federal government would pick up 6% funding of the rent if it was paid to a separate entity. He said that the information they have is based on the application being made without delay.

Mr. Joe LaRocca entered the meeting.

Representative McVeigh expressed concern that this might be a program where the federal government would get the state into this and then pull out.

Mr. Gain said that he thought Mr. Scammon and Mr. Henri could provide the committee with more information on this. Mr. Huber suggested that the figures used to come up with the \$204,000 federal funding be given to the Finance Committee.

Mr. Haugen entered the meeting.

Representative Barber said he was one of the sponsors of this bill. He said that the number of Pioneers is 350 to 500. He added that he was satisfied that no matter out big a building they build in Anchorage it would be full before it is completed. He said they do not know how much the federal participation

will be but time is of the essence. He said it would go without saying Alaska felt it should have another Pioneers' Home and this resulted in HCR 28.

Discussion continued on the federal funding. Mr. Barber said that ASHA is not really of prime interest in this other than the fact that they will build it. He said the Department of Administration is the prime interest and it is their effort in connection with operation of the homes in total. He said he believed that further questions should be delegated to the Department of Administration.

HB 668

The committee then discussed HOUSE BILL NO. 668 (an Act appropriating to the Department of Commerce, Alaska State Housing Authority). This bill appropriates \$2,000,000 to provide low-cost housing facilities for elderly state residents.

Mr. Gain said he had not had an opportunity to discuss this bill with the sponsors although he was aware there is a shortage of housing for the elderly. He added that this is one of the most severe shortages in Alaska. While they do not comprise a large percentage of the population they do comprise some of the very poorest. He said if this bill passes he would envision a program would have to be established to "dovetail" this with federal programs. Mr. Gain said there are not enough people to justify an elderly low-rent project.

Mr. Warwick asked if they needed a direct appropriation to get into this area. Mr. Gain answered no, there are federal programs but ASHA is "pretty well limited".

Mr. Degnan said the main thrust of this bill is to start a program where elderly people can stay in their own community.

Mr. Gain said one of the programs available is under the Bartlett Act but this is limited to "self help".

Mr. Gain said there is approximately \$2.5 million remaining from Alaska's remote housing bond fund. This money is available but can only be used for a self help basis and is only \$7,500 per unit. Discussion continued and Mr. Gain noted the President's Indian Housing Program and said that something like this elderly bill could be added on as a "piggy back" program.

Mr. Holm asked if the intent of this bill was to provide state aid for free housing for the very needy people. Mr. Degnan answered this could go either way -- the idea was to provide housing for the elderly people.

Discussion continued on the possibility of renting houses rather than the elderly people owning them. Mr. Holm said he thought it would be more preferable if these units were rented. Mr. Gain concluded that he felt this money could be well used.

Recess: The meeting recessed at 3:07 p.m.

JOINT MEETING
HOUSE AND SENATE FINANCE COMMITTEES
March 2, 1972
9:10 a.m.

Present: Senators Butrovich, Lewis, Hammond and Young. Representatives Hohman, Fink, Warwick and Swanson. Patricia Nordmark, Chairman, Tri-Valley School Board; Jim Clymar, Area Manager; Robert P. Isaac, Special Assistant, Department of Education.

HB 690 Chairman Butrovich called the meeting to order. Witnesses were present to testify on HOUSE BILL NO. 690 (An Act appropriating to the Dept. of Public Works for the construction of the Healy Valley School complex).

Patricia Nordmark explained that the Tri-Valley school has grown considerably in the past from a one-room schoolhouse, and at present there are 185 students housed in six relocatable classrooms. Adult education classes are also provided. Healy was designated as an entry site for a change-process model, contracted by the Department of Education and supervised by Northwest Regional Laboratories, Seattle, in 1970. The program guides local people in decision-making on educational matters; training them to develop curricula and plan a suitable building for same. Formerly the Division of Buildings appointed an architect to design a school according to the number of students, and then an educational program was adapted to fit the building. Mrs. Nordmark had a brochure available for members describing the present courses offered in the Healy school, which included courses in vocational education, cooking, work-placement, etc. Local support has been enthusiastic, and lay people are having an input in education under the program. Local people decided the facilities needed in a school building, but an architect was selected by the Div. of Buildings, and the floor plans and maps he submitted were shown to the committee.

Mr. Warwick questioned a building designed to meet needs, and asked if it should not be designed around the amount of money appropriated. Mrs. Nordmark replied the design was suitable for future needs, rather than return in five years requesting additional funds for expansion. The first bids received were rejected by the community as being too high, and changes were made in the plans in the hopes of meeting the funds available. The minimum amount of additional money needed is \$102,677, as explained on the construction project sheet distributed to the committee (see bill file). It was Mrs. Nordmark's opinion that the architect did not have sufficient experience designing a building for a bush area to estimate prices correctly, and had a letter from Ev Simpson, Chief Architect, Division of Buildings, saying that he felt the bids received were representative and will be the best received.

Mrs. Nordmark then stated she had been to the SOS board meeting yesterday and she is investigating reallocating existing bond money to the Healy Valley School construction project. In the past, the Department of Education has reallocated bond money, and the Healy School is #4 on the priority list. The SOS is now an independent board, however, and has never made a decision like this. Bids were received on February 9 and must be answered in a day or two to meet the 30-day limitation.

Senator Butrovich asked what will be done with the existing facilities when a new school is constructed and Mr. Clymar replied they will be used. He pointed out on the map where the existing classrooms will be located, and also described a shop building which was donated and constructed by local residents. He stated there is strong local support for the new school, and the projected growth is solid since it is based on the mine, the completed highway to McKinley Village, and a continuation of the highway to Cantwell which will bring in even more students.

Senator Butrovich questioned the cost of the change-process model and Mr. Clymar replied funds were spent by Northwest Lab and the Department of Education for administrative costs to watch the Healy School implement the plan. Volunteers worked on the local level.

Mr. Wright joined the meeting at 9:35 a.m.

Mr. Warwick asked what was alternate #2, and Mrs. Nordmark answered this was for completion of the multi-purpose room, everything that was not structural. Mr. Warwick then asked the cost if this was not bid, to which Mrs. Nordmark replied when it was bid separately the bids were out of line and much too high.

Senator Butrovich questioned the Department of Education's opinion on the project. Mr. Isaac said determination does not rest with the Department of Education at this time, but with the State-operated School board. However, he did believe that by reallocating funds which are not committed for other projects, the SOS board could make the award. It would mean re-shuffling a number of projects, but the board will meet in the next day or so to decide if it was possible. The capital improvement program of SOS was referred to on a chart shown to members (see bill file).

Senators Hammond and Lewis left the meeting at 9:40 a.m. Mr. Robert Dwyre, Department of Public Works, joined the meeting.

Mr. Warwick noted there was a chronic problem with the Division of Buildings on the cost of buildings running over the estimates submitted, and asked Mr. Dwyre if the problem was with the architects. Mr. Dwyer replied there is not too good an under-

standing as to who the contracting officer is. The professional service contract drawn up between the architect and the state stipulates the architect will design a building within a certain amount of money. However, another party, in this instance the Tri-Valley School Board, will make changes in the plans, resulting in additional costs. In answer to further questions from Mr. Warwick, Mr. Dwyre stated that in this particular case the architect is on record numerous times objecting to the requests imposed on him and said it would not come within the money appropriated. Discussion followed on the responsibility of the architect, and Mr. Fink noted the problem is the fuzziness of who is the contracting officer, and the architect really does not know what is going on. He winds up in an impossible situation, trying to please the people and the departments.

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

HOUSE FINANCE COMMITTEE

March 3, 1972

8:45 a.m.

Present: All members except Mr. Wright and Mr. Ditman.

HB 523 Chairman Hohman called the meeting to order and the committee considered HOUSE BILL NO. 523 (an Act appropriating to the small business revolving loan fund). Mr. Fink moved and asked unanimous consent that HOUSE BILL NO. 523 pass from committee with a "do pass" recommendation. Mr. Hohman objected. He requested that more information be received from the administration. Mr. Hohman directed the staff to request Mr. Charney to appear before the committee on this bill.

SB 258 The committee considered SENATE BILL NO. 258 (Relating to preparation of fiscal notes on bills). Mr. Fink moved and asked unanimous consent that SENATE BILL NO. 258 pass from committee with a "do pass" recommendation. No objection, so ordered.

HB 561 The committee then considered HOUSE BILL NO. 561 (an act relating to small business loans). Mr. Warwick moved and asked unanimous consent that HOUSE BILL NO. 561 be passed from committee with a "do pass" recommendation. No objection, so ordered.

HB 523 Mr. Charney entered the meeting and distributed information on HOUSE BILL NO. 523 (see bill file). He explained that this is the bill to implement SLA 71, Chapter 109. He said the amount of the bill would provide funds for about two loans in the pipeline. The committee discussed whether this would be a sufficient amount. Mr. Fink said he did not think additional money would be necessary if the Department of Revenue would act expeditiously. After a brief discussion, Mr. Fink moved and asked unanimous consent that HOUSE BILL NO. 523 pass from committee with a "do pass" recommendation. No objection, so ordered.

Recess: The committee recessed at 9:15 a.m.

AFTER RECESS

4:15 p.m.

PRESENT All members except Representatives Ditman, Haugen, and Wright. Representatives Martin Moore and Red Swanson were also present. In addition, Mr. Joseph Mike and Mr. Simon Moses from Emmonak, Alaska were present. Mr. Morgan Richardson was present representing Wein Airlines.

HB 658 Chairman Hohman called the meeting back to order and said that HOUSE BILL NO. 658 (An Act appropriating \$7,000,000 to the Department of Public Works for construction of a first class jet airport in the Lower Yukon Delta area.) was the topic under discussion.

Mr. Moore, one of the sponsors of the bill began the discussion. He said that he had requested a cost estimate on the bill from the Department of Public Works. He pointed out that the need for a first class jet airport was very great in the Lower Yukon Delta area. He asked Mr. Richardson to speak.

Mr. Richardson said that the position of Wein Airlines five or six years ago when they had been contemplating making the present airport at St. Mary's into a jet or mainline airport, was in opposition to it. They had two reasons: (1) It was headed the wrong way because during the winter months, there was a cross-wind to the prevailing winds. The wind blowing from the west in the winter months made it unsafe to land. Thus, the air strip could not give adequate service. (2) The airport was built on a plateau higher than the surrounding area with low summer coastal fogs. Thus in the summertime, the airport is constantly in the fog. With such a low ceiling they can't land, especially in the mid-morning period. So, the people at the mouth of the Yukon don't get good service.

Mr. Richardson explained that there were people trying to develop a fish backhaul during the summer. The quality of the salmon in the Yukon is especially good because of their high oil content. If they try to develop a fish backhaul and can't get into the airport because of fog, the fish would spoil. So far, they haven't had reliable transportation for it. He said that one company was really trying to see how they could develop reliable transportation in the lower Yukon for this service.

Mr. Fink asked how a new airport would solve the fog problem. Mr. Richardson said they would still have the coastal fog, but if the airport was right at sea level, there would be a flyable ceiling they could get in on. Even though there would be a low ceiling, they could get in, but if the airport was constructed in the clouds like at St. Mary's, it was unsafe.

Mr. Fink asked where the people were. Mr. Richardson said that most of the load for that area is destined for Emmonak, 70 or 80 miles from the present airport. Mr. Richardson said that it would be a main hub type of an airport where the smaller planes could come into the hub and set out from it. The four main villages to use the service would be: Kotlik, Emmonak, Alakanuk, and Sheldon Point.

Chairman Hohman drew a map on the board showing the distances between the different villages.

Mr. Moore said that the bill was by request of those four villages.

[Mr. Guess arrives.]

Mr. Simon Moses said that the airport at Emmonak handled approximately 100,000 pounds a month. The freight and mail from there is distributed out to the four villages. He said they could eliminate the problems they have now, such as produce which arrives spoiled, if they had a jet air strip. He said there was also a Fishermen's Coop and an N.C. Fishery, and they could eliminate the problems of spoiling fish. He said that on mail days they have about 60,000 pounds of mail coming in.

Mr. Guess asked where most of the goods came from. Mr. Moses replied it came from wholesalers in Anchorage and also from Seattle.

Mr. Hohman said that he had heard that 75% of the freight coming out of Anchorage to Bethel generated from the wholesale merchants in Anchorage. Mr. Richardson said that it was awfully high, but he was not sure of the percentage. He said that as far as freight was concerned, it was in the high nineties from Anchorage wholesalers.

Mr. Hohman stressed that the King Salmon from the Lower Yukon Delta area were considered the best in the world because of the color of the King Salmon and its high oil content.

Mr. Fink asked what was done with the salmon now. Mr. Moore said that last year they had sold them for 75¢ a pound. This year they were selling to the Japanese market for 65¢ a pound.

Mr. Moore went on to say that last year they had started an \$800,000 Coop which employes quite a number of people from the area--500 fishermen between July and August. He said they also had an N.C. Company store which got most of its goods from Anchorage wholesalers. Many of the people of that area are becoming concerned because much of the freight coming in from Anchorage is not resellable. He stressed that this was not

something Wein deliberately did, but it happened because of the conditions of the airports.

Mr. Moore added that the Anchorage people were interested in the King Salmon resources, and the Fairbanks people were interested in tourists.

Mr. Guess mentioned that for some reason the Japanese don't really care for King Salmon. They like Chum Salmon and will only pay a small amount for King.

Mr. Moore said that really the King Salmon should be marketed the day they were caught. If they had good jet service, they could send them to Anchorage, Fairbanks, and even Seattle that same day. This way they could get better prices for the fish.

Mr. Fink asked the total dollar value at the present time. Mr. Moore said it was about \$20 per King Salmon at 65¢ a pound. He pointed out that before the Coop was started they were getting \$4.50 a fish.

Mr. Moore said that their freezer barge had a capacity of 300,000 pounds. It was filled three times last year. He said that they used to get 50¢ for a whole chum, now they are getting 45¢ a pound for it.

Mr. Moore said that the Cold Storage in Anchorage--Mr. Whitney Fidelgo--was quite interested in the fish.

Mr. Fink asked how many days they couldn't land at St. Mary's. Mr. Richardson said that it amounted to about 30% of the days per year.

Mr. Fink asked if there were studies in the Lower Yukon to show they could land more frequently at the new site. Mr. Richardson said there were no studies, but they know they could land more frequently because of the type of site that it is. As long as there are winds from the ground to raise the ceiling, there will be visability, and they will be able to get in.

Mr. Moore said that a few years ago they had an F-27 scheduled to come twice a week. The volume has increased so much that they now are using a 737 which holds three times as much as an F-27. They are now getting two 737's coming in. It increased that much in three or four years. He said Wein was getting new planes that would probably come in five times starting in April.

Mr. Fink asked the type of planes they used to ferry things in. Mr. Richards said they used twin otter and twin turbine aircraft, which will carry around 3,000 pounds maximum loads.

Mr. Warwick asked how many times Wein would fly into the new jet air strip. Mr. Richardson said that right now, if they had the jet airport, they would transfer their jet operation from St. Mary's into this area. He said they would only be operating twice a week, but added that there was a growth of 20%-25% annually.

Chairman Hohman turns the chair over to Mr. Warwick.

[Mr. Hohman and Mr. Guess leave.]

Mr. Warwick asked the type of air strip they had at St. Mary's. Mr. Richardson told him it was 5,000 feet long gravel strip, but in the wrong direction.

Mr. Warwick asked the cost for a comparable strip. Mr. Richardson didn't know. He said it depended on where the gravel had to come from. Mr. Moore said the closest gravel was forty miles from the site.

Mr. Fink asked whether they got barge service from Seattle, and Mr. Moore said they had that service three times a year, but it was totally undependable. For example, sometimes they couldn't get in because of early freeze-up.

Mr. Richardson said that when that happened, the barge operators brought it as far as they could, and then called the National Guard or Wein to fly it in. He said that right now there was a barge with all its undelivered things at Emmonak.

Mr. Richardson said that since they have had jet service, the people in Bethel and Kotzebue have found that they can get freight in weekly or monthly without obsolescence and loss, so that even though the freight cost is higher, they save money.

Mr. Swanson said that the barge lines weren't giving the service, so it was better to pay higher rates with the airlines, especially since the volumes were getting to be more and more.

[Mr. Hohman comes back.]

[Mr. Ted Kennedy, who had been working on a special project in the Lower Yukon Delta area, arrived.]

Mr. Kennedy said that he got involved in this jet airport issue while he was working on a project with video tapes etc. He said that the jet airport was one of the five main issues the people of the area were interested in. He discussed the different reasons why a new airport was necessary, most of which had already been brought up. He felt that the only reason the present jet strip had been built at St. Mary's was because the Catholic Church, which was located there, knew how to lobby.

Mr. Kennedy said that about 80% of the population was in the area where the new strip was to be built.

Mr. Fink asked the total population. Mr. Kennedy said that it was about 1300 to 1500 permanent population, but in the summer months it almost doubled. He said that St. Mary's had 300 people, so it was 300 vs. 1500 people.

Mr. Kennedy said that Emmonak had five flights a week. Some days they have to bring the sky van back five times just for freight.

Mr. Fink asked what Mr. Kennedy had done in the area. He replied that among other things he had helped to organize the Co-op. He was Director of the Sky River Program, funded by O.E.O. He said he hoped to send down the film the people had made next week. He mentioned that many of the strips in other places also have to be up-graded because they weren't really air strips.

Mr. Richardson pointed out that Emmonak received more bush flights--twin turbine--than any other air field.

Mr. Mike pointed out that the villages depended on freight. He said that most of the time the freight ended up someplace else or was handled so many times that it was damaged. He added that usually when they heard the planes weren't getting in at St. Mary's, it was a beautiful day at Emmonak.

Mr. Kennedy said that they weren't talking about a days delay, but sometimes a two or three weeks delay for a jet.

ADJOURN Meeting adjourned at 5:30 p.m.

JOINT HOUSE AND SENATE FINANCE COMMITTEES
March 6, 1972
3:00 p.m.

PRESENT Members of both Committees. Dr. William R. Wood, President of the University of Alaska, and members of his staff were present. In addition, Dr. McLean and Dr. Starcher, consultants for the Study of Alaska Higher Education, were present. Senator Merdes, Chairman of the Special Subcommittee on Higher Education, and Mrs. Banfield a member of the Subcommittee were also present. Mr. Ed Naughton, member of the House Health, Education and Welfare Committee was in attendance.

HIGHER
EDUCATION
STUDY Chairman Hohman called the meeting to order and stated that the topic under discussion was the Higher Education in Alaska Study Commission authorized last session. He asked Sen. Merdes to begin the discussion.

Sen. Merdes began by stating that HOUSE CONCURRENT RESOLUTION 26, passed last session authorized the Study of higher education policies in the State. It proposed a coordination of higher education programs to reduce cost and at the same time offer a better quality of education. He said that a Subcommittee on this had been appointed which met last July. Two firms were considered as consultants, Davis-McConnell and McLean and Associates. The Subcommittee also consulted with A.M.U. President Davis and U. of A. President Wood. Both presidents approved the consultants. Sen. Merdes said that McLean and Associates had been hired.

Sen. Merdes said that the Subcommittee consisted of representatives of both parties and was a five man Subcommittee. Sen. Merdes stated that they had to make their determination in a relatively short period of time--from July to February 1. He pointed out that the consultants had instructions to be objective and bring in an outside view point. He added that none of their consultants were interested either personally or professionally. What they were receiving was an independent evaluation of higher education. Sen. Merdes said that the Subcommittee felt to a person that the legislature should have a tool, so that when the Finance Committee asks questions of higher education, there would be someone independent of the people they were talking to, to be objective.

Sen. Merdes said there was a package of bills resulting from the Study, and Dr. McLean and Dr. George Starcher were present to discuss them.

Dr. McLean wanted to refresh their minds on how they approached

the Study in order to give perspective on recommendations. He said that when they originally met with the Subcommittee, they had been asked how they proposed to go about the study. He had replied they would get together a group of educators to come in and analyze the problems with which they were most familiar. He said he brought in three individuals to study the situation in Anchorage since there were major problems regarding A.M.U. The three individuals for the Anchorage area were: Felix Robb, Director of the Accrediting Association for Universities; Robert Hill, Dean of Campus of Business and President of the University of California; and Edward Collins, President of Millsaps College. They made a rather intensive study in the Anchorage area to study the University of Alaska. Other educators were also brought in. Dr. William Davis was brought up from Pacific University which is not unlike the main U. of A. campus in size. To study the community college system, they brought in Dr. Oscar Lanford, the number two man for the University of New York. They had to appoint a Director for the study and finally decided on Dr. George Starcher, who had just retired after being President of the University of North Dakota for 17 years. Dr. McLean pointed out that during those 17 years the University had grown and become one of the best Universities in the States. Dr. Starcher was also involved in the Northwestern Accrediting Association and had previously been involved in the study of other campuses and universities at the time of their accreditation. He was deeply involved in studies of this sort. Dr. McLean felt that Dr. Starcher had the greatest experience of any man they could have found.

Dr. McLean felt that the strength of the study was that they were able to get the people they wanted for it. The weakness was the limitation of time. Dr. McLean said that the limitation of 4 or 5 months of research time was the fastest any State had attempted an overall study. Consequently, they had to accept figures provided by colleges and universities and rely on other information, checking, of course, to the greatest possible degree. For example Dr. McLean said that Montana spent two years and four times as much money to do their study.

Dr. McLean said that in their study they tried to look at the overall investment of state money and the best possible education and public service. They arrived at the evaluations which are found in the report. Dr. McLean said that Dr. Starcher was the most familiar with the report and was prepared to answer questions and comment on the bills and resolutions individually.

Chairman Hohman asked Dr. McLean whether he or his associates had ever had experience with the State in this regard before. Dr. McLean said he had been involved as a consultant at the U. of A. He had been brought in by Mr. Rasmusson when he was Chairman of the Board of Regents. Dr. McLean had worked as financial consultant.

Chairman Hohman said they had a summary that was prepared on the Study which they would use as a guideline.

Dr. Starcher indicated his role in the report by saying that he was there in the beginning, a few days before the initial meeting of the group. He stated he had read books and talked with people in order that he know as much about Alaska as he could. As the Study proceeded, he said there was never any question that he didn't get information on. He got a pertinent idea of what was being accomplished in the educational process by talking with faculty members and students.

Dr. Starcher said that universities and colleges generally were careful in reports they make, so often they took figures from the University where they had done a good deal of research, and figures from other colleges also. What they did then, was go back over the figures and find the assumptions. They tried to avoid getting information which was already available. They also checked with various groups which had studied the situations. He said the Study was based upon facts and experience with various kinds of facts.

Dr. McLean said it was their approach if private education could be maintained in Alaska, it should be. He mentioned that A.M.U. had just about another 30 days due in operating funds.

Dr. McLean stated that for the financial part, they had the finest possible cooperation from all concerned. Dr. McLean believed it would take serious budget cuts and seriousness in fund raising beyond what they have previously engineered. He said those were two iffy assumptions, but they could not continue with superficial budget cuts and fund raising.

Mr. Wright asked if Dr. McLean had up-to-date information on fund raising, and was told that Dr. McLean's information was as of last week when he had talked to Dr. Rose who was in charge of it. He said Dr. Rose was very optimistic about a couple of developments with Methodist Church constituents in Southeast Alaska.

Dr. Wright asked if A.M.U. could make it on \$200,000. Dr. McLean said that they could only do it with actual budget cuts and tuition equalization. However, he said that the \$200,000 alone, even every year, would not save them. Dr. McLean said that the fund raising operation has not been well organized in the past, but they are beginning a much better organized and structured program.

Dr. Wright said that in order to raise \$600,000 from additional tuition, they would need 270 additional full-time paying students. He pointed out that in the past five years they have only picked up 75.

Dr. McLean said that A.M.U. operated with a deficit 8 out of the last 10 years. They designed a budget and then measured income against outgo and the difference was put in as gifts, and this made the budget balance, but at the end of the year they didn't have the money.

Dr. McLean said that if the State gave A.M.U. all that is proposed, such as the lease purchase agreement for their land, and if they passed the tuition equalization bill as it now stands, and the money was made available to A.M.U., they should have about two years to make it as a private institution. If it does not work out, the State can't justify going further with them. However, he pointed out that a combination of everything together might save them, but it would take the best possible management and all the right factors at the right moment of time.

In answer to Senator Butrovich, Dr. McLean said that the trend in private institutions has been towards receiving some sort of public assistance. Ideally, Dr. McLean said, he would like to take the position that private institutions should be totally private and public institutions totally public. There has been a trend in the opposite direction in the last ten years.

Dr. McLean said that as far as federal money is concerned in the last year for which there are figures for private universities 24.7% of their total operating budget came from the federal government. That is 1/4 from the federal government. The figure for public institutions is 21% from the federal government for their operating budgets. He said it is a realistic fact that if all but the strongest institutions are going to survive, they have to have some kind of public support.

Dr. McLean said he thought the question was are the private institutions worth saving. He said he felt that some of these should be allowed to go under. There have been three bankruptcies announced for private institutions within the last month.

Dr. McLean said the reason they take the strong attitude towards saving AMU is that it is their feeling that A.M.U. represents Alaska's only possibility for a private university within the foreseeable future.

Dr. McLean said they concur in some of Mr. Wright's analysis-- the courses offered are not as superior as they might be. A.M.U. does not measure up to what private institutions should be except numerically. He added that philosophically they have recognized the fact that private universities will almost certainly have to have some kind of state support.

Sen. Butrovich said what if they assumed that state or federal funds were not available. Dr. McLean said with this assumption one-third to one-half would no longer be private--there are a number of examples where state universities have come in and taken over the private university.

Senator Butrovich said his reason for asking this is they are "playing with public funds" and if they make a mistake in public institutions they could answer for this but if they make a mistake in private institutions then the questions could be asked of whether or not they had any business there in the first place. Senator Butrovich asked how much should they gamble on private institutions -- is Alaska wealthy enough to do this.

Dr. McLean said it was the recommendation of the subcommittee on higher education that the State of Alaska cannot make available a small or large sum of money without a pre-audit of expenditures in regard to AMU. He added that the present situation is temporary and this obviously cannot continue. He said that with the tuition equalization program this provides grants that go directly to the students.

Dr. McLean said he would agree with Senator Butrovich's premise that the legislature cannot afford to gamble even a dollar without the assurance of exercising the responsibility of how these funds are to be expended.

Senator Merdes said that the previous conversation will give some idea of the anxiety that they have experienced. He said this is a simple issue -- if AMU does not get some help "they are dead". These people are struggling with these problems and Senator Merdes said the greatest help has come from the University of Alaska. He said he thought Senator Butrovich summed this up -- the question is whether or not they want private education.

Senator Lewis said that if they are going to finance a private institution then will it be private. He said assuming the validity of Mr. Wright's figures this would only give them \$400,000 to operate on. He asked in view of this what would Dr. McLean recommend. Dr. McLean said his judgment is that these figures have to be improved upon. He said the figures Mr. Wright had presented were based on continuing the budget just as it is. He said this could be improved considerably. He said their best reading of the situation is if this \$2 million could be made available, with drastic budget cuts, then they thought AMU would "just about get through 18 months". He said with this \$2 million if the state is getting value received on this land then

it represents a fair gamble. He said on the basis of the state getting value received from its money they would recommend doing this. On the basis the land would not be worth that much and this would be a subterfuge to feed money into AMU then they would say the state should not do this.

Senator Lewis asked if as legislators they should look at this after AMU has made the "drastic cuts" referred to by Dr. McLean. Dr. McLean said that "drastic cuts" would be subject to discussion. He said AMU has made some cuts but in their judgment they would have to fire some people and not offer courses that are marginal as far as student income. Dr. McLean said they have tried to serve as the staff for the sub-committee so they could bring forth the best possible information. He said he had the strong feeling if the state puts money in AMU in something other than the fair value of land then there has to be some way that the state can supervise this for a reasonable period of time. He said this would be a questionable procedure with a private institution. He said they have found AMU willing to cooperate but the only thing they have really offered is a post-audit of procedures -- it might come to a pre-audit of procedures.

Senator Lewis asked if they had made drastic cuts. Dr. McLean said they have made some significant cuts. He said it is their feeling that AMU simply cannot afford to continue to offer classes with three or four students in them. He said no, they do not feel that the maximum cuts have yet been made.

Mr. Ditman said they are talking about budgetary cuts and cutting the staff on one hand and on the other hand they are talking about the assumption they will be adding 200 more students. He asked if this could be done. Dr. Starcher said he felt there is a way this could come out right. Dr. McLean said that they now have a cross registration and a common calendar, and this is where their main hopes lie.

Mr. Ditman referred to the budget cuts with respect to the staff. He asked if they had locked into this enough to say which programs should go or if this was just generalized. Dr. Starcher said they had talked about some programs. He said AMU was in the process of developing a Business Administration Masters Degree and they do not have to basis to even start this. He said they had specifically talked of this program and had told AMU to "forget it".

Dr. Starcher said they had also recommended that the Masters in teaching should be dropped. He stated that they had also found a teacher at AMU that was particularly needed at the community college and had suggested he be allowed to teach there.

Mr. Wright wondered how many students would avail themselves to cross-registration. He said that in the past it had only been about 1%. Dr. McLean said that up until now they had had to fight to take courses in the other universities. There had been no encouragement to do so. He explained that this is the first year there has been a desk from the other institution at each universities own registration procedure in order to facilitate cross-registration. It is also the only time they have had the same calendar for beginning and ending classes.

Mr. Fink asked about the assumptions under which they proceeded. Dr. Starcher said that in the AMU situation they were talking about an institution that had been built, and which is able to handle 550 full-time equivalency students. If AMU went, the state of Alaska would have to take care of those 550 full-time equivalency students. There would be pressures to enlarge the University of Alaska at Anchorage to take care of them. He said the question arose as to why not pay AMU an operating cost equivalent to the operating cost the state would be obliged to pay, and allow the student to enter there and get the education there if he so desired. He explained that was the basis of the formula suggested for students. It would not apply to a student going anywhere else in the state or outside.

Mr. Fink suggested giving half that difference and letting the students go outside. Dr. Starcher said the state was trying to develop and maintain the very best institutions of higher education that it could. They couldn't do that and allow anybody to go anywhere he wanted outside the state at the state's expense. Dr. Starcher thought the situation of the people of the state depended to a large extent on higher education. He didn't think the state of Alaska should simply look at dollars. Dr. Starcher added that if youngsters went outside to school they probably wouldn't come back, but Mr. Fink thought that was an old-fashioned idea.

Mr. Fink was in favor of making good education available to everybody--outside the state education or inside the state education. He agreed there was an obligation to have a state institution. He thought that if they were going to give a student a choice of schools, it should be a more extensive choice. In other words, he felt they should be concerned about the student rather than the institution.

Dr. Starcher hoped they had been concerned about the welfare

of the student. He acknowledged that the financial hurt of AMU and Sheldon Jackson had figured into their proposal of the formula. He said there were a number of states with formulas to help private institutions. He stated that this particular formula was unique because it gave a financial basis in fact that nobody else had.

Mr. Ditman asked how they accounted for the fact that the more students they had going to AMU, the further in the whole it goes. Dr. Starcher said that AMU hasn't grown much in the last 6 or 7 years. Mr. Ditman said it had grown 75 students in 5 years. Dr. Starcher pointed out that the U. of A. cost more and they weren't necessarily getting more per student. He explained that the national cost per student has gone down when they allow for inflation. He said that if enrollment went up, it was still going to cost more because it cost more to run an institution. He said it was hard to realize sometimes the number of students has increased from 12%-15% to 50% for students going to universities nationwide.

Mr. Wright said that 42% of the classes at the University had less than ten students. He felt that they could reduce the number of classes by 50%. Dr. Starcher said that was something they had looked into. Dr. McLean said that it was hard to get a true picture of what was really going on by looking at class sizes because many times different classes in a series were combined. For example, Band 101, 201, & 301 might all be taught during the same hour by the same professor. Thus more students were being accommodated than it would seem. Also one of the faculty members might teach two small classes instead of one large one. For such reasons many of the small classes cannot be eliminated. He did say that they thought that class size could be improved at every institution in the state of Alaska.

Dr. McLean went on to say that there was very serious discussion of the three year baccalaureate degree proposed by the Carnegie Commission. This would mean educating a student for three years instead of four. This would reduce the cost considerably, but not by 1/4. He said this was under very serious study at the University of New York right now. The Carnegie Commission said that there was a great deal of duplication between the senior year of high school and the freshman year of college--70% duplication. Dr. McLean felt this was something to be explored, because it would be a significant reduction.

Dr. Starcher said that every institution in the country was studying how to get the good professor to go further and how to get students to do more learning on their own. He felt there was a great future in economizing the use of academic talent.

Dr. Starcher said that in Fairbanks, they were just beginning to learn how to use the T.V.

Dr. McLean pointed out that they weren't trying to get more students to go to college. They feel that more students ought to go to technical education schools.

Mr. Fink pointed out that vocational classes were more expensive. Dr. Starcher told him that they looked forward to an equalization between different courses.

Mr. Fink asked whether they expected more students to go to school than would go with the loan program they presently have. Dr. Starcher didn't think it would make any difference. What the formula really would do is let students go to AMU instead of the University of Alaska. It aids students only in that it gives them that choice.

Mr. Fink commented that \$2 million was what AMU was going to have to have. It seemed to him that any private school without heavy endowment was in real trouble. He said they were getting \$3300 per student, while the U. of A. wasn't even living on that.

Dr. Starcher said that amount of money was for them to use as they saw fit. He said they had debts to pay to begin with. Mr. Fink thought they intended to spend the money to live on.

Mr. Merdes pointed out that the Natives were very interested in AMU. They didn't want to go outside. He said that the Natives loved Sheldon Jackson. Sen. Merdes said they were trying to show that tuition equalization was a legitimate need. The universities couldn't survive without it. Dr. McLean pointed out that they needed a considerable sum of money before the tuition equalization would become effective.

Mr. Haugen was concerned that by helping the private institutions they weren't treating their own public university properly. He noted that the Governor had only allowed an increase of \$800,000 for the U. of A., and he realized that would barely cover overhead. He stated that it was his opinion that from now on they were going to have to think about the public institution first. Dr. McLean supported the position that it was the state's first responsibility to support the University of Alaska and make it as strong as possible.

Mr. Wright asked whether it was compatible to have quality education when they had an open door admission policy. Dr. McLean felt that it was compatible. He pointed out that one of the great universities in the country, the University of Michigan, had the same admission standards as the University of Alaska.

He said that the high flunk out rate was a good sign that the U. of A. had quality education in spite of its open door admissions policy. Dr. McLean stated that by the high flunk out rate, he meant the large number of students who dropped out.

Dr. Archer said that quality didn't necessarily mean just professional people, and English and Philosophy majors, etc., but it could also mean quality for disadvantaged people. He said that Alaska was doing more to help people not yet ready to go to college to find their places than any other state. He said they could have quality for people who were never going to be professional people.

Mr. Wright asked if they should be left to find themselves in community colleges. Dr. McLean said that there were kinds of disadvantaged people who could only be given quality education in a university where they have psychological facilities etc.

Mrs. Banfield felt they had an obligation to help the private institution because if they lost them, there would never be a chance for a private institution in this state again. She stressed the individual work given to students at Sheldon Jackson. She felt those students couldn't survive without it. She didn't feel they could afford to let AMU "go down the tube".

Dr. McLean agreed that Sheldon Jackson did a superior job in giving special attention to the individuals who were in need of special help. Dr. McLean didn't feel Sitka Community College to be competitive to Sheldon Jackson, because Sheldon Jackson considered itself a statewide institution.

Mr. Fink asked whether Dr. McLean had anything to do with the amount of land AMU was going to sell to the State University. Dr. McLean said they were involved in the original negotiation not in the amended document. He said the original negotiation didn't include the bog land. He said it was their feeling that there was no point in having land change hands unless there was a sufficient amount to allow the University to establish a campus there. He said they were involved up until the amount of 142 1/2 acres, which they felt was sufficient for the University to develop a reasonable campus which was consistent with their planning department. He said that there was a nice little arc that cut off due to natural terrain and it was close to the present University campus and the consortium building. Dr. Wood said this would be adequate until 1990.

Mrs. Banfield said that after that they would have satellite campuses, so this was all that was really needed in that area.

Dr. McLean said that the option the University had at this moment was to take military land, but then they would be away from their \$6 million consortium building which is already completed and away from the present Anchorage Community College buildings. He said that the AMU Board has taken the position that they can only give up their assets to a certain point. After they have given away so many, it would be better to give AMU to the state or else turn it back to the Board of Missions of the Methodist Church. The Board of Missions might then turn it into a Home for the Elderly--although there is a limitation for use of the site for educational uses, educational uses are very broadly interpreted. Dr. McLean thought however, that the Board of Missions would be willing to negotiate with the University of Alaska.

Sen. Merdes reminded them of the dollar cost to the State if the U. of A. had to accomodate the students now going to AMU.

Dr. McLean cited the historical experience of major metropolitan centers when private institutions ceased to exist as not being a vital change. Things have gone on in about the same manner they did before. State takeover has been good, even though it was costing the state more money. but he stressed there was a difference between private universities in Alaska shutting down and private universities in other States shutting down. In the other states there have been other private institutions which have managed to continue.

Dr. McLean said they would be taking a calculated risk in putting money into AMU. He said that maybe the risk was so great it wasn't advisable. However, it is his own judgment that there is at least a chance that AMU can make it.

Mr. McLean said that private universities have tried to accredit as many of their students as possible as residents of the state. Mr. Wright said that AMU now has 340 Alaskan full-time students and 83 out-of-state full-time students. He said tht most of these would become residents in a year.

Mr. Warwick asked how many full-time or part-time students they had to have before they could justify building a facility for a community college. Dr. Starcher said that various numbers were used. In other states, he had heard 400 or 500 students quoted. In Alaska there were many places that could never reach that number. Dr. McLean said that in addition to a numerical analysis there is determination in terms of the special functions that a community college could serve in the development of an area. He said that the University's rule was 75 students in a high school who would qualify to apply.

Dr. Wood personally thought 75 was too low a figure. He thought they ought to have prospect of getting approximately 100 into

the community college from the high school. He said that since usually only half of those qualified to apply did, that there should be a potential of 200 in the high school.

Dr. Wood thought a facility was justified in an area of small population where they provided extension and night classes, only if they didn't have facilities within the community that they had access to.

Dr. McLean referred them to the Sitka situation. They had held hearings there and about 70 people had attended. These people had felt there should be a working relationship between Sitka Community College and Sheldon Jackson. A consortium committee had been arranged. In former years there had been no formal structure for cooperation. Now, they have a formula for entering into an agreement. \$8,000 is included in S.C.C.'s budget to rent space at Sheldon Jackson for the U. of A. They share three professors and pay 8% of the overhead, and thus, \$43,743 is in effect what the State would be paying to Sheldon Jackson for services rendered. Dr. McLean felt it a very fine and fair arrangement and a good investment. They get the advantage of a cross-section of faculty. It also helps Sheldon Jackson to maintain a private institution.

Dr. Starcher said they couldn't expect an institution to develop without adequate staff and facilities. Mrs. Banfield asked Dr. Wood to explain the necessity of a \$1 million facility. Dr. Wood said that primarily it was for a type of facility and equipment which doesn't exist--mainly in Vocational and technical types of programs. They don't have it at Sheldon Jackson and really don't have to have it. Dr. Wright felt that the best way to get the two schools to get along together would be not to build.

Mr. Haugen had information that Mt. Edgecumbe was going to be phased out. He wanted to know what would be done with these facilities. Dr. Wood said he had been told that if they were to take over those buildings, it would require almost total renovation costing about as much as a new building.

Mr. Haugen felt that the dorm they planned for Sitka was not going to be patronized.

Mr. Wright asked why they had wanted a resolution requiring regional organization. Dr. McLean explained they had proposed it because one of the major criticisms they heard of the U. of A. as they went around the state was in regard to that. With the President of the U. of A. also serving as Chief Executive Officer of the Fairbanks campus, he was in a position of bringing frequent requests from himself to himself against other places and other chief executive officers. In actuality, the

same man is operating two positions. Dr. McLean said it was their strong feeling that even if an individual had total objectivity, it was not fair to place him in such a position. So, they felt that the U. of A. should divide the administration in such a way as to separate administration. They felt that in order to retain the advantages of central organization, the best thing to do would be to have a chief officer for Southeast, one for Anchorage, and one for Fairbanks and the Northern region. A Chancellor would be in charge of the central administration. They felt strongly enough about this that they felt the Central Administration should be moved off of any one campus of the U. so that it could serve all campuses more objectively.

Mr. Wright asked if they were recommending local autonomy. Dr. McLean said that to a considerable extent, they were. Dr. McLean felt they should have local autonomy as far as day to day operating decisions were concerned. They also propose calling the chief campus operator "president". This would give him greater stature. The presidents would go to the Board of Regents with any proposals. The Board of Regents would rely on the Chancellor as Chief Executive Officer.

Mr. Fink referred to the proposal that the members of the Board of Regents serve terms of 8 years, and then be off the Board for a year before being eligible for reappointment.

Dr. McLean said that first of all when a man was off for one year the possibility of being reappointed wasn't very great. They had used the year off after eight years rather than strictly limiting it to an eight year term. They felt that letting him be reappointed after a year was better than letting a member serve two or three five-year terms. They felt that a man could serve his best for only so many years and still provide maximum productivity.

Mr. Fink asked if they wouldn't be more responsive to the public if they served 5 year-terms, and Dr. McLean didn't feel that was necessarily so.

Dr. McLean felt that the advantages of the proposal were that it would bring about a turnover in the Board of Regents and also get the Governor off the hook for appointments.

ADJOURN Meeting adjourned at 5:55 p.m.

JOINT MEETING
HOUSE AND SENATE FINANCE COMMITTEES
March 7, 1972
9:15 a.m.

Present: Senator Butrovich; Representatives Hohman; Ditman; Fink; Degnan; Warwick; Haugen; Wright. Dr. Marshall L. Lind, Commissioner, Department of Education; Robert L. Thomas, Deputy Commissioner; Louis D. Ridle, Director, Vocational Education; Mario Martini, Management Consultant; School Superintendents from districts throughout Alaska. John Hayward, Kenai, was spokesman for the School Superintendents.

HB 544 The meeting was called to order to hear testimony from school superintendents on various bills, and Mr. Hayward stated the most crucial bill to them was HOUSE BILL NO. 544 (An Act relating to the financing of local schools). Speaking for all the superintendents, he said they would like to take the position of 100% state financing. Court cases are moving in this direction, and it would improve the quality of education. HB 544 tends to move away from that, and to delete state aid from school districts.

Mr. Fink questioned that the districts were willing to give up local control for 100% state financing, and Mr. Hayward replied the state has been operating District 1 on a 100% basis and appointed a board rather than have the Department of Education operate the district. Mr. Hayward stated he was not prepared to debate the issue, but the school superintendents object to HB 544. He stated transportation should not be included in the formula, such as it is in this bill, and Mr. Wright said this would bring about a more efficient operation. Mr. Fink returned to the subject of 100% state financing and said the concept disturbed him. It was far from the law of the land, and he had hoped the school superintendents could have developed a more sophisticated philosophy than asking for all the money they could get.

HB 664 Mr. Hayward continued by saying the school superintendents oppose the concept of HOUSE BILL NO. 664 (An Act relating to the establishment of grievance procedures for public school teachers). They feel the teachers do have an avenue to express grievances through the Professional Teachers Association, and the binding arbitration stated in HB 664 would be detrimental to the people in general. The bill would certainly be favorable to teachers, but the superintendents felt the law on the books at the present time is acceptable.

SB 327 Response to SENATE BILL NO. 327 (An Act relating to teachers' retirement) is favorable, according to Mr. Hayward. The problem now and in the future is that teachers grow older and older, and youth and enthusiasm are necessary for the art of teaching. The bill would be an acceptable alternative to staying in the classroom, and the superintendents favor SB 327 which would allow

teachers to retire gracefully from the profession after 20 years of service. It would strengthen the teacher corps and give opportunities to younger people coming into the labor market.

SB 308

The superintendents oppose SENATE BILL NO. 308 (An Act relating to the assignment of teachers), as they feel this issue is best handled locally. The peculiarities of the bill would make it difficult to administer, and it should be under the control of the local school board.

HB 263

Mr. Hayward stated there is opposition to HOUSE BILL NO. 263 (An Act relating to the minimum teachers salary scale), which raises the minimum salary to \$10,000. This is, in effect, pretty much what is being paid throughout the state. However, teachers are paid on the basis of prior years experience, and this bill would raise costs considerably. The districts could not afford the bill unless there is some increase in the foundation instructional unit. The problem is that each year the legislature passes bills which increase costs to the school districts and put more pressure on the taxpayer, according to Mr. Hayward.

Another problem to HB 263 is diminishing turn-over of teachers, since the stable staff goes into the higher pay ranges. It would result in about a \$500 increase to each teacher, and Mr. Hall pointed out that in Cordova the law states the school district there must pay 5% higher salaries than the base. Mr. Warwick said this returns again to the question of state support, and if the state funds the program it will set standards of control. A discussion of teachers salaries followed, and it was agreed they were well paid and a high retention of teachers is maintained.

SB 262

The superintendents were in favor of SENATE BILL NO. 262 (An Act relating to school district revenues). Mr. Hayward said the interest would accrue to the school district rather than the borough, and they think this is a good idea. Mr. Wright questioned debt service and Mr. Hayward replied the borough assumes this. Mr. Wright asked what would happen if there was a deficit in the school district, and Mr. Hayward said he assumed the school assembly would have to levy a tax to pay it. Mr. Wright noted if districts receive the surplus, they must be prepared to pay the deficits.

HB 695

Mr. Hayward continued by stating the superintendents were in favor of HOUSE BILL NO. 695 (An Act relating to community schools). The use of school facilities throughout the year seems sound to the superintendents.

He concluded by saying the superintendents were in a favor of a bill to establish an executive secretary to resolve differences between teachers, school boards and the state, but he did not know the number of the bill.

ss:

The meeting recessed at 9:45 a.m.

AFTER RECESS

10:00 a.m.

Present: All members. Representatives Whittaker, Peratrovich, Naughton and Moore were also in attendance. Also present were members of the Southeast Seine Boat Owners and Operators Association: Charles Nelson of Ketchikan, Vice President; Don Newman of Ketchikan, Secretary; Richard Bean of Hoonah, Board of Directors.

HB 102 The Chairman called the meeting to order. He referred
HB 103 to HOUSE BILL NO. 102 (an Act relating to loans for commercial fishing purposes) and HOUSE BILL NO. 103 (an act appropriating to the Department of Administration for the purpose of making commercial fishing loans; and providing for an effective date).

Mr. Nelson explained that the Southeast Seine Boat Owners and Operators represented 14 towns and 280 seiners. The Board of Directors is composed of 15 men. He stated that the board has agreed to support both these bills.

Mr. Nelson stressed the reasons why action on the bills should be taken. He said that seining is in a depressed situation. Boat owners have suffered adhering to cannery contracts and fishing was the only livelihood that most members have ever known.

He explained that most fishing boats were small; and financed and mortgaged through the cannery operation; fishermen were therefore trapped, and found it difficult to pay off their boats.

He said that fishermen want a revolving loan fund to obtain boat gear and parts. The canneries will not finance them for those purposes because they are not interested in diversified or year-round fishing. Once out from under the cannery it would be possible to fish the entire year. They could obtain special equipment needed for other types of fishing; thus eventually being able to pay for their boats.

He also mentioned that previous bills in the legislature geared to fishermen had not been followed through.

Chairman Hohman stated that these two bills had come under consideration several times this session. He added that Representatives Peratrovich and Whittaker

were insistent that the committee consider the bills.

Mr. Hohman said that committee members Ditman, Fink and Haugen had particular interest in the bills and amendments to the bills have been suggested.

Representative Warwick stated that a new program would consist of loans, not subsidies. Mr. Nelson said he understood this. He said that what was needed was a loan from which the fishermen could borrow at reasonable interest; banks would not loan them the money.

Representative Warwick asked if the organization was in favor of a loan program where they would have to pay back loans on time; he stressed the fact that if payment was not made, the state would take away the boats, whereas the canneries would not be likely to do so. Mr. Newman said that the canneries took back about 50 boats last year, due to the non-producing capacity of the fishermen. He said that banking was not available and that he, as an independent fisherman with his own boat, got more money for his fish than those under canner contracts.

Representative Warwick asked if the interest rate from the cannery was so unfavorable. Mr. Newman replied that there was no interest rate and added that there was no real scale for the selling of fish, and that independent boat owners received "under-the-table" payments of greater amounts for fish.

Representative Haugen said if a state loan program is available to fishermen, they could buy crab pots and other fishing equipment and probably pay off their boats. In this way they could get out from under the cannery's thumb. He added that in order to keep independent fishermen the canneries are willing to pay more than they pay to fishermen fishing directly for the canneries.

Representative Fink said the state has a large amount of money which should be used. He stressed two areas of concern: 1) some fishermen had indicated they do not want any more new boats but rather would like to see the upgrading of existing boats; 2) banks do not make loans on boats because they are too high a risk. He said he would like to build into the bill something which would insure that someone will do a good job of evaluating loans and therefore make good ones. He then asked if fishermen wanted loans for new boats.

Mr. Nelson said that he would like the chance for a year or two for commercial fishing with additional gear to pay back the loan. He said that fishermen wanted their boats replaced if lost. Mr. Haugen said even at that point they would have equity.

Mr. Fink asked again if they wanted more boats fishing. Mr. Newman said that the federal guidelines for loans could be used and old boats could be repaired. Mr. Newman said under the federal guidelines he could not sell his boat into the fishing industry. Mr. Ditman asked if under these guidelines the person he sold it to could put it back into the fishing industry. Mr. Newman answered yes. He said as private people they are competing against the canneries that have unlimited funds. He said he did not feel they should stop people from going into the business. Mr. Newman pointed out that this program would only provide loans for Alaskans.

Mr. Fink referred to building protection into the bill so political loans would not be made. Mr. Newman said he felt they should require an adequate down payment.

Discussion followed on whether or not political loans would be made. Representative Peratrovich felt they would be out of the question but Mr. Fink said if the Department of Commerce is making the loans then there will be some political loans.

Mr. Fink asked if there was an advantage in fishermen having a commercial license for a number of years before being able to obtain a loan. Members of the association answered yes.

Mr. Bean said he tried to fish year-round and he knew fishermen could get new boats. He stated he had nothing to mortgage and that the face value of his gear was \$40,000 but if he tried to sell the gear, he would not receive even one-fourth of that amount. Mr. Newman added that the gear was not insurable.

Mr. Fink asked if this program was not designed to buy new boats would they need \$300,000. He asked how they would feel if this amount was \$100,000. Mr. Newman answered that this would help.

Mr. Fink asked if they could expect the borrower to have 25% of the interest. In answer to Mr. Fink, Mr. Newman said it would be good if gear could be accepted as collateral.

Representative Fink expressed concern over the fact that despite good fishermen being willing to pay back their loans, there are bad fishermen who will not pay back the loans and any program established would then collapse. He then stressed the manner in which the loan program with its screening process would be handled was of the utmost importance.

Mr. Newman said he would not mind the cannery contract if he could only see the end of it.

Representative Whittaker said that the fishermen themselves could identify those applying for loans as good risks. He stated that the well-intentioned and better fishermen are the ones in trouble now with present standards.

Mr. Nelson expressed the hope that the legislature would act upon these bills in the near future.

Representative Wright directed the discussion towards how much money fishermen would need if the loan was available to them. Mr. Nelson stated that he would need \$10,000. Mr. Newman said that he needed nothing at the present time, but that loans should be available if he did. He added that if one boat engine broke down, it would cost \$20,000 to replace, and canneries would not supply any replacement of financial aide in that area.

Representative Naughton explained the fishing situation in Kodiak where king crab fishing boats cost \$200,000. He said that Kodiak area sets a quota of 10,000,000 pounds of crab all season and that small boats could not fish due to the quota having been obtained already. He said that Kodiak fishermen were not interested in seeing other boats join the fleets.

Mr. Nelson mentioned that Canadian boats are presently in competition with American boats but that Canadian boats are subsidized by government.

Representative Haugen stated fishermen cannot live with banks' short-term money. He said that Representative Fink's proposed committee substitute

is compatible and that the Finance Committee can develop the bill. He mentioned that Representative Peratrovich is on hand to survey the situation and that if he could be near when the final draft is ready, the committee would appreciate it.

Mr. Nelson stressed that the proposed committee substitute must apply to all types of fishermen. Mr. Haugen said he was not excluding crab fishermen.

Mr. Nelson mentioned there was also the possibility of the federal government starting a loan program once the state had started one.

Mr. Haugen stressed to the committee that with diversified fishing which would mean new boats fishermen would be getting into fishing which is low investment in relation to seine boats. Mr. Newman suggested a gear license be necessary as well as a commercial fishing license.

cess: The meeting was recessed at 10:40 a.m.

CORRECTION

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

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Recess: The meeting was recessed at 10:40 a.m.

JOINT MEETING
HOUSE AND SENATE FINANCE COMMITTEES
AFTER RECESS
10:50 a.m.

Present: All members of the House Finance Committee. Senators Butrovich and Merdes. Dr. Starcher, Dr. McLean, and from the University of Alaska Dr. Wood, Dr. Dafoe. Mr. Byrd and Regents O'Neill and Brundin were also present.

Chairman Hohman called the meeting to order and said they would continue the Joint Hearing and that Dr. McLean and Dr. Starcher would continue with their testimony.

HIGHER
EDUCATION
STUDY

Dr. McLean said they had discussed the meeting yesterday regarding statements made on AMU and they had gotten the reading that the finance committees were less than enthusiastic about the possibility of tuition equalization or land acquisition. He said if this is the case it had occurred to them that the committees might want to explore other options.

Dr. McLean said if the situation at AMU rides along as it is between now and the 25th of March AMU cannot meet its faculty payroll. He added that of course there is always a remote chance they will receive funds elsewhere but this is the present situation.

Dr. McLean said that he felt what they should avoid is another rash of headlines regarding AMU.

Mr. Fink said he thought Dr. McLean had misread the committees regarding the purchase of land. He said he felt he read them correctly on tuition equalization.

Representative Chance entered the meeting.

Dr. McLean spoke on one of the proposed options for AMU. He said there had been a plan proposed on July 27 where the state would lease the existing facilities and buildings of Alaska Methodist University for a ten-year period of time, that the lease provide an option for the state to purchase the facilities, that the lease price be the purchase price divided by the term of years. AMU would be allowed to use the facilities while under lease to the state. He said this would provide that \$750,000 be paid each year for 10 years and if at the end of this ten-year period AMU could not make it then the entire operation would

revert to the state primarily for use of the University of Alaska. A copy of this and other proposals was presented to each committee member (see pages 289-294).

Senator Merdes said that Regent Brundin was present and could give testimony on this proposal.

Mr. Wright said he thought it was misleading to say AMU would receive \$750,000 and it would be more correct to say they would get \$1.5 million the first year.

Regent Brundin explained the thinking that went into this proposal. He explained that the figures presented were not firm figures. He said the feeling was that if AMU did not make it then they would have purchased "at a bargain price land and buildings". If AMU did make it they would have received not only approximately 160 acres of land but "very much our dollar's worth in education". Mr. Brundin said the University of Alaska thought there was no way to lose.

In answer to Mr. Fink, Mr. Brundin said that part of this arrangement was that AMU would immediately transfer 160 acres of land. Mr. Brundin said that when this had been presented to the Legislative Council one of the first questions asked was had this been approved by the Trustees. He said he was not sure if they has every been approved by AMU. Dr. McLean said they had been advised that the Board of Missions turned this down.

Dr. McLean spoke on another possible solution. Dr. Starcher indicated this was on pages 181-184 of the report on "Higher Education in Alaska".

Senators Butrovich and Merdes left the meeting.

The proposal was that AMU would be a very high level liberal arts component administered by the University of Alaska. This was briefly explained by Dr. Starcher.

Mr. Warwick asked how the \$750,000 figure had been arrived at. Mr. Brundin said as he recalled the figures in the proposed agreement came from the construction costs of the buildings at AMU.

Mr. Warwick asked if this \$750,000 would be paid in addition to the tuition equalization concept. Mr. Brundin said there was no such concept discussed at the time of this agreement. Dr. McLean said this amount was predicated on some sort of tuition equalization program. He said that AMU had indicated lately they would not sell land unless part of the package included a tuition equalization program. Mr. Warwick said it was his understanding they had agreed to sell 198 acres with or without the tuition equalization.

Mr. Warwick referred to the liberal arts concept and questioned whether or not this would be workable. In answer to Mr. Warwick, it was noted that AMU would be under the Board of Regents with this concept. Mr. Warwick felt by doing this AMU would be losing their identity. Dr. Starcher said he felt a strong effort would have to be made to preserve their identity. This might be resolved by allowing AMU to award degrees. Dr. Starcher said this will cost the state but their feeling is that there should be developed a foundation which would raise funds from AMU sources. He said that he also thought federal funds would be available to do this. Mr. Warwick asked AMU's feelings on this. Dr. McLean answered this had not been discussed collectively but they had talked with the individual trustees. He said he felt this idea was something AMU would be willing to discuss.

Discussion followed on a consortium arrangement between the universities. Regent Brundin said that when they had started out AMU had agreed to give the University 160 acres and later on they had said they would not. Dr. McLean said that he and Dr. Starcher had acted as a "go between" on these arrangements. Mr. Wright said he felt the only realistic thing that had come out of these discussions was that AMU needs to receive \$750,000 a year.

In answer to Mr. Wright, Regent O'Neill said that AMU has turned this consortium arrangement around-- they said they needed extra space in the library and this was not in the original understanding.

Dr. McLean said that AMU representatives would be in Juneau during the next couple of days and that perhaps the committees would wish to hear testimony from them.

Dr. Wood said that the University continues to stand ready to cooperate to the fullest extent in getting a solution to this problem. He said they are ready to do anything reasonable that will not harm public higher education in the state.

Mr. Haugen said he would hate to see AMU go down the tube. He said he would give credit to all the people who had tried on this but he said he did not think this was going to work. He said because they were in this "crunch" they should forget about this -- he could not support anything but the public university.

Dr. McLean said if the committees agreed they should "forget about this" then they should make a proposal to close AMU out under the best possible conditions and not just let the "buildings begin to gather dust".

Dr. McLean said he felt that AMU's attitude is that they are waiting to see what will happen on the tuition equalization program and the land purchase. He said if AMU became convinced that either one would not pass then they might be willing to negotiate.

Representative Banfield entered the meeting.

Dr. McLean reiterated that these negotiations should be done as privately as possible -- nothing can be gained by headlines.

Chairman Hohman suggested that the committees go into the higher education bill package.

HJR 106

Dr. Starcher referred to their recommendation on page 200 of the Higher Education in Alaska and said this was the basis for HOUSE JOINT RESOLUTION NO. 106 (proposing an amendment to the state constitution relating to the University of Alaska). This bill changed "President" of the university to "Chancellor."

Dr. Wood spoke on what other institutions are doing in this regard. He said he thought the matter of title was not too relevant.

Dr. Wood said that right now the heads of the components have immediate access to the Board of Regents. He said that the Board cannot be in a continuous session for 365 days a year and there has to be somebody at the "helm of the ship".

Recess: The committee recessed at 11:45 p.m.

A POSSIBLE SOLUTION

AMU. AND HIGHER EDUCATION IN ANCHORAGE

Senator Ed Merdes
Special Subcommittee
Legislative Council

Dear Senator Merdes:

Through your good offices and at your request, members of the governing boards of both the University of Alaska and Alaska Methodist University have met together for the past week for the purpose of "brainstorming" possible solutions to the problems besetting higher education in the Anchorage Area and particularly the current problems faced by Alaska Methodist University.

In our wide ranging discussions we have considered a large number of proposals including various kinds of contractual arrangements and rental and leasing arrangements. We believe the suggestion set forth below is however the best of the many we have discussed.

First we must set forth briefly the present situation that does exist in Anchorage.

1. The need for higher education in Anchorage is acute. The growth experienced by the University of Alaska has been so marked, that its budgetary and other resources have been inadequate to meet the need. Considerable "catching up" is required if present and future needs are to be satisfied at an acceptable level. Alaska Methodist University has experienced substantial growth but has considerably more ability to accept larger amounts of students than it now handles with its present capabilities.

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2. Both universities offer, separately and together, complete four-year and graduate programs in the Anchorage Area.

3. Maximum joint and cooperative effort by both universities is in the best interests of the Anchorage Area and all of Alaska, because the maximum need can be met at the least cost. Continuation of private higher education is similarly desirable because separate sources of private funds are used to educate Alaskans and because freedom of choice to Alaskan students and useful competition are preserved.

4. Recognizing these benefits, the governing boards of both universities met in mid-1969 and formulated a consortium arrangement between the universities (see Memorandum of Understanding attached) which has thus far produced considerable savings and efficiencies. Both the Legislature and citizens have embraced this forward step by approving construction of the first joint-use facility, the Anchorage Higher Education Library.

5. A major contribution to the consortium by Alaska Methodist University is the planned use of large portions of its land holdings for the construction of higher education facilities so badly needed by the University of Alaska, Anchorage. Without the availability of this land for necessary expansion, the University of Alaska may be faced with obtaining large amounts of land elsewhere in the Anchorage Area; away from its present facilities and which would undoubtedly result both in higher costs of expansion and make the consortium arrangement less workable.

6. Alaska Methodist University has recently experienced critical financial needs which, if not met, could force them to close their doors. If this were to occur, the benefits secured to date and those possible by their future operation and cooperative consortium efforts would be lost to Alaska.

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Some of the alternatives considered are outlined in the attached "Proposals for the Recovery of Alaska Methodist University, a Review". Most of these suffer from possible illegality, or they may be too complicated and thus less manageable than would be desirable, or they would not provide a lasting solution which would be acceptable to the citizens of Alaska.

Our suggestion, which follows, was conceived, we believe, in terms of informed self-interest. That is, although each party would benefit, each party is primarily concerned with meeting its separate needs and desires. That is, from the point of view of the State, we are giving nothing away, but rather are purchasing something we desperately need. The fact that Alaska Methodist University benefits as well is important, but of secondary concern. The same is equally true from the opposite point of view. The State and its University of Alaska require ground and facilities in the Anchorage Area. It is also beneficial that students presently attending Alaska Methodist University, supported largely by private funds unavailable to the University, be continued to be educated by Alaska Methodist University so long as these private funds remain available and are used for this purpose. Alaska Methodist University, on the other hand needs additional sources of funding upon which it can rely.

Alaska Methodist University has educational buildings of good quality in place which cost more than \$7 million dollars to build, and would cost undoubtedly much more than that to replace today. Building facilities for use or partial use by private or religious institutions of higher learning has been accepted by the U.S. Supreme Court. Providing higher education facilities for the University of Alaska is an obligation of the State.

Mr. Chairman we propose a concept to you which if implemented by the state would benefit and would be supported by both institutions.

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We propose that the State lease the existing facilities and buildings of Alaska Methodist University for approximately a ten-year period of time, that the lease provide an option for the State to purchase the facilities, that the lease price be the purchase price ~~fixed~~ by the term of years, that the option be exercisable within certain limitations of consent, long-term payoff, and other considerations mutually beneficial to both parties, and that Alaska Methodist University be allowed use of the facilities while under lease to the State so long as Alaska Methodist University continues with the consortium cooperative effort.

As additional consideration, Alaska Methodist University would make available to the University of Alaska approximately 150 acres for use by University of Alaska in its expansion program, and additional other land may be made available for future specific joint-use facilities.

The details of the arrangement would of course be subject to negotiation between the State and Alaska Methodist University. We perceive however that with use of this procedure, each party is furthering its separate goals while at the same time advancing its common goal, and all at much less cost than would be possible if Alaska Methodist University were to cease operation.

The citizens of the State are buying three things. First they are buying the option to purchase, at perhaps a very great bargain price, first class, existing and needed facilities. Secondly, they are buying education for Alaskans in an area of great need and at substantial less cost. Thirdly, they are buying badly needed acreage for expansion of their University in the most logical and desirable location in the Anchorage Area.

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Alaska Methodist University is achieving additional sources of dependable revenue on which they can, within a ten-year period, determine the extent of their role in the future of higher education in Alaska.

Perhaps limitations would be set so that the State could not exercise the option to purchase the buildings themselves without consent of Alaska Methodist University so long as Alaska Methodist University continues to benefit Alaska within prescribed standards, or norms which may include continuation of private support in an agreed amount or ratio, prohibition against using any such funds for religious purposes and perhaps some limitation as well on the use of the funds for retirement of prior indebtedness.

On the other hand if the option to buy were exercised, earlier payments made on the lease would apply to the total purchase price, with perhaps an installment payment program for the balance. If Alaska Methodist University ceases to serve the State, exercise of the option would buy for the State needed resources at a bargain price. If Alaska Methodist University continues to serve the State, the State may determine the bargain has already been realized and may not therefore exercise the option to purchase. In either event the State of Alaska benefits, and in addition immediate benefit is realized by the additional land made available for expansion by the University of Alaska.

The suggestion also allows continued separate existence of both universities so that the maximum can be realized from the consortium arrangement already under way.

The ten-year period is selected both because time is needed for the University of Alaska to develop, for Alaska Methodist University to find its lasting place in Alaskan higher education and for the consortium arrangement to be developed to its fullest extent, and also because patent restrictions on approximately one-half of the AMU land will not expire until March, 1980.

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We appreciate fully that adoption of this program would require separate funding, perhaps by supplemental appropriations and interim financing. Neither university has resources to accomplish this funding. It is essential however that such funding be arranged within the very near future if Alaska Methodist University is to continue.

Mr. Chairman, we have here placed before you our best combined thinking and we jointly urge your adoption of the suggested program. The Regents of the University of Alaska and the Trustees of Alaska Methodist University will jointly support it.

For the joint committee of Regents and Trustees, this
27th day of July, 1971.

[Signature]
W. J. Peterson
[Signature]
William A. O'Neill

AFTER RECESS
JOINT MEETING
1:40 p.m.

Present: All House members: Senators Butrovich and Lewis from the Senate Committee; Representative Mildred Banfield; Dr. Starcher and Dr. McLean from McLean and Associates; Dr. Moyer, Dr. Wood, Dr. Dafeo and Harold Byrd from the University of Alaska; and Mr. O'Neill and Mr. Brundin from the Board of Regents.

Higher Education Study: Representative Hohman called the meeting to order and announced that Dr. Starcher and Dr. McLean would continue discussion of HJR 106 and HB 603.

Dr. Starcher stated that he would like to say more about the matter of names and said that there are reasons why both chancellor and president are involved. He proceeded to read definitions of the word "chancellor" from Websters. He said that he felt HJR 106 and HB 603 are extremely important in the context in which he was speaking and he added that though tremendous advancement is taking place now, they are just trying to suggest some important improvements that might be made. He stated that he wished to leave it at that and talk about the bill as the heart of their discussion lay in the matter of the Fairbanks campus administration.

Regent O'Neill said that as a matter of information it there should be a comment made on how the university works at present. On the campus there are vice presidents for various services and there are provosts for each region. All vice presidents and all provosts attend all meetings for Board of Regents. The President of the Student Association and Executive Secretary of the Alumni Association attend these meetings. These people have a chance to call attention to the chair and ask any questions they want. He went on to say that he was not arguing against what Dr. Starcher was saying but he wanted to make it clear what the university is doing now. He said that studies are being carried out on the management of other universities, etc., and he felt that if the university develops the central management of the University of Alaska, they are accomplishing the requirement.

Dr. Starcher replied that he also wanted to make something clear from the report that they had put out. He said that in the report one can discover their strong feeling for the Alaska state-wide university system. He said that HB 603 would introduce new duties. Most of these duties are being carried out by the university people and he then complimented the President and the Board for their work.

Representative Fink asked if HB 603 indicates that the budget for the university would be introduced by the Chancellor and

Dr. Starcher answered that it would be reviewed by him and then submitted. He continued with the statement that in developing a budget, the legislature should become involved early as they need to know why the budget has been increased, etc. He said that this is happening more and more in other states.

Representative Fink asked if the president is appointed by the Board of Regents and then by the Chancellor and Dr. Starcher answered that the Chancellor does hire people under restrictions. Representative Fink added that the way he read it, the Chancellor is an executive officer and that he coordinates everything. Representative Fink wondered if the regional president would be able to submit his budget directly to the Board of Regents. Mr. Starcher answered that the Chancellor must be the one. Mr. Starcher said that many universities have one group researching what the Board wants, one for the regional systems and one for the legislature.

Mr. McLean then discussed the role of the Chancellor as set out in the bill. He felt that the intention of the legislative subcommittee was that the role of Chancellor would be largely secretarial. He would then pass along material and give comments and recommendations.

Dr. Wood rose and stated that the University of Alaska had had the privilege of presenting to the legislature the same budget that it gave to the office of the governor. He said that before, it had always been given to the governor first. He said that what is being asked here is that a similar privilege be given to the three segments of the university. He asked if this same privilege will be given to all of the cost areas. He said that he understood that what is being proposed is that the Chancellor be a secretary and a person who will be totally responsible but who will have authority to do very little. He warned against the separation of these two facets of administration.

Representative Warwick asked how the Chancellor would coordinate if he had no power. Mr. McLean answered that the person who fulfills Chancellor would be expected to be staff of the Board of Regents. He would advise, make cuts in the budget. Mr. McLean continued that the Chancellor would be effective in the entire system and would bring professional objectivity to the Board. He said that though his role is important, it involves not so much decision making as it does fact gathering and advising. The position of Chancellor is not as important as president in the state-wide system. If there is a desire for the three areas the power has to come from somewhere.

Representative Warwick asked who would present these 19 line items to the Board and Dr. Starcher answered, the President.

Mr. Brundin stated that the committee might like to know that as little as 10 years ago the University of Alaska had a president and one vice president. He said that now they have more vice presidents and regional provosts. It is a developing concept. He said that the University of Alaska is a growing state system which serves the whole state, not just at the Fairbanks campus. He said that their only recommendation is policy that the directors at Fairbanks report to the provost of Fairbanks. He said he felt that what is being expressed here is that each campus have the broadest possible authority in that area, and he added that they have the funds to develop that to a great extent but that more funds would be helpful. He went on to say that the University of Alaska does not have separate universities and does not want them. He said that they do have a centralization of a state-wide system. He said that the closer they come to having a central university the more it is going to cost and that if they continue to grow as they are and have decision making at the regional level - the better.

Representative Wright said that he was not at all pleased with the extent of work that had been done to improve the Anchorage Community College and discussion followed. Mr. Brundin said that in the last three years they have tripled the operating budget for Anchorage but that it is growing too fast to keep up with. He stressed that deliberate effort had been given to Anchorage.

Mr. Byrd spoke in response to Mr. Fink's question on the budget. He said that when the provost at the regional level receives the instructions to prepare the budget they proceed on their own. This year those budgets were almost the same as those received from the state budget office. He said that when those provosts and directors prepare their budget then they present them for consideration to a group of all the other provosts; each provost must defend his own budget; all provosts must agree on all budgets. Then the material goes to the Board of Regents and it is fully considered by the Board. Mr. Byrd did not feel that they were being short changed.

Representative Warwick asked that Mr. O'Neill and Mr. Brundin tell those present what their feelings were against this proposal and how it would be unworkable. Mr. Brundin stated that the name change was their main objection. He felt that there is not very much difference from what the university is doing. He continued and said that their point is the the president of the university make his move to state-wide coordinator. He said that by constitution there is to be only one president and that each provost is the boss in his area. He said that they were not really opposing the bill, but they are not sure why it is required. Representative Warwick said that maybe those pushing the bill do not believe that what is going on is really going on.

Mr. O'Neil said that the director of each community college can send his budget through the provost and from the provost, it will go to the Director of Academic Affairs. Then it goes to the president. The president goes into consultation with the provost and the Director of Academic Affairs. Mr. O'Neill stated that what they want is a steady and responsible growth. He continued with the university budget process and added that their present system is pretty much the same as what is being requested.

Senator Lewis asked that if the name change were dropped and they just recorded a line item change when the budget is submitted, would it accomplish the same thing. Dr. McLean replied that that would certainly be a significant forward step, but they were also for having presidents in the three areas - not as separate universities but more as one with three power areas. Senator Lewis then asked if the main thrust then was psychological and Dr. McLean answered that no, it would just give the top man the power to go directly to the Board of Regents.

Senator Merdes stated that he had been to observe the Idaho system, in Pocatello and Moscow and reported that the new system seemed to be working very well there. He did concede; however, that it would be hard to measure in relation to Alaska.

Representative Warwick and Dr. McLean discussed the 19 line items and whether or not they would be to the best interests of the students. Representative Warwick felt that these line items would be against the best interests of the students but Dr. McLean pointed out that it would still make the university more responsive to needs at the given moment.

Senator Butrovich pointed out his feelings that a great deal of the final answer will be determined by the six people on the free conference committee. He also said that from looking at the expenditures the need for two universities seemed inevitable.

Recess: The meeting recessed at 2:45.

AFTER RECESS
JOINT MEETING
3:15 p.m.

All House members; Senator Lewis from the Senate Finance Committee; Dr. Moyer, Dr. Wood and Harold Byrd from the University of Alaska; Senator Merdes, Representative Banfield, Mrs. Isaacs, Myrton Charney, Mario Martini, Mr. Brundin, Dr. McLean and Dr. Starcher, and Dr. Picton and Reverend Wischmeier from Alaska Methodist University.

Representative Hohman called the meeting to order for discussion on Alaska Methodist University. He added that since he had to leave Senator Lewis would sit in his place.

Representative Fink stated the committee talked with Dr. Picton two weeks before and asked why he was present for this meeting. Senator Merdes said that he would take responsibility; he wanted to have them present as the question of tuition equalization was on the board and he felt it would be only fair if they were here to tell why they thought tuition equalization is necessary.

Representative Fink told Dr. Picton and Reverend Wischmeier what had transpired since they last spoke by saying that there were two ideas that had been under serious discussion: 1) purchase and rental of land (not an unpopular issue); and 2) tuition equalization (a very unpopular issue).

Senator Lewis asked that the representatives from AMU state their case or rebuttal. Reverend Wischmeier said that from their point of view they saw the two above issues as their needs in terms of a package. He said that they had tried various sale and lease of land arrangements but they had all fallen through. He said that at present they have 197 1/2 acres for sale for \$1,950,000 or @ \$10,000 an acre, based on appraisals. He went on to say that at present they have not received an official agreement from the Board of Regents. He added that to make this arrangement work; however, they would still need some kind of tuition equalization. Senator Lewis asked for an exact definition of tuition equalization and Reverend Wischmeier replied that it is the difference between what it costs the state to educate a youth in Anchorage and what it costs AMU as a private institution. Senator Lewis asked the Reverend if AMU would be in real trouble if they just received one and not both issues and he replied that yes, AMU would probably have to close down. He said that he could not emphasize too much the need for some kind of package program. He said that they had been working on obtaining private funds through the church, etc., and that they are now receiving about \$4,000 a month and recently received a check for \$15,000. Senator Lewis asked what would happen to the buildings if AMU had to close down and Reverend Wischmeier replied that there were patents on the buildings and that they could only be sold for educational purposes. There are

also patents on the land and before anything can be done, the Department of Interior must be contacted. He added that AMU also owes money and has a mortgage of \$573,000.

Representative Wright disagreed with AMU's continued growth philosophy and asked where they intended to get the money to pay off the debt. Reverend Wischmeier replied that they expected to have \$100,000 raised in Anchorage, \$200,000 raised from church sources and \$300,000 from private sources outside. Representative Wright then brought up the subject of the number of students and whether or not full tuition was being charged. He felt that one of the main problems is that AMU is not getting full tuition. Representative Degnan asked what would happen to the size of the student body if the cost per student were raised and Dr. Picton replied that if they get tuition equalization they will be able to get a larger student body; without it they will have serious difficulties. Representative Warwick asked how much they had received from tuition fees in the last fiscal year, and Representative Wright answered \$612,000. Representative Warwick noted that if this were increased by 50% it would still be far from the \$1.4 million that AMU needs. Dr. Picton reminded the group that their survival depended on getting both issues (the land sale and the tuition equalization). Representative Fink asked what increase in tuition they would need to reach the \$1.4 million mark and Dr. Picton said that with their other fund raising methods and the land sale, they would only need a 20% increase.

Senator Lewis asked Dr. Picton if he believed AMU could make it on solid ground if they did receive everything they need now to pay their debts, and Dr. Picton replied that yes, but it is hard to say for sure. Senator Lewis pointed out that they also needed funds for capital improvement not only for operating. He asked what AMU has to have per year to operate. Dr. Picton replied about \$1,933,000 per year, which includes about \$100,000 in debt service. Discussion followed on debt service. Representative Warwick asked what the general funds budget was and Dr. Picton said they they are running about \$30,000 behind per year now, on dorms, bookstore, etc.

Representative Fink stated that he, among other legislators, was not at all excited about tuition equalization and Senator Lewis asked if AMU had come up with any other alternatives for their meeting with the subcommittee on Saturday. Reverend Wischmeier answered no.

Senator Merdes said that for the past six months they had been trying to give AMU a lease on life. He said that at this point AMU and the subcommittee should have some idea what the joint Finance Committee will provide. He asked for a decision on SB 527, an alternative if tuition equalization is not passed and a figure on the needed cash flow for AMU's survival.

He said that the Finance Committee should provide this information.

Dr. Picton said that AMU will need \$350,000 by the end of May and another \$350,000 by the end of August to finish out this year. He said that in addition to that they have the note for \$573,000 and a loan payment. He said that \$1.5 million will get AMU through August and pay off all their debts and by September they will have collected their tuition. Senator Merdes and Reverend Wischmeier both agreed that if AMU does get financial help and is not able to make it, it will have to be their last effort.

Senator Lewis asked that since this all had to go through both finance committees all the information should be put into a written proposal and he would take it to the Senate Finance Committee.

Senator Merdes asked that Dr. McLean and Dr. Starcher ask some questions of the AMU representatives. Dr. McLean asked them to comment on how they planned to reduce their budget. Dr. Picton replied that AMU had already reduced their budget three times and felt they were now down to a bare minimum. He did not have the exact figures but estimated between \$400,000 and \$500,000. Dr. Starcher asked if they had figures saying they would be able to handle extra students and Dr. Picton said that the last semester there were 78 University of Alaska students coming to AMU and 11 AMU students going to the University of Alaska, so in effect AMU is running some classes free of charge. Dr. McLean asked that Dr. Picton or Reverend Wischmeier tell why they think AMU is worth saving and what contribution it makes for Alaska. Dr. Picton said that one of the reasons he came to Alaska was to help Alaska meet educational needs. He feels that AMU has potential to meet those needs. Anchorage is the cross-roads of the world and AMU is developing that aspect by introducing cross-cultural programs for an international school with foreign students. They exchange a Japanese professor for an AMU student. He said that he feels Alaska needs an institution working on international education and inter-culture study. Senator Lewis asked that if AMU cannot make it, couldn't the University of Alaska provide this inter-culture program and Dr. Picton stated that he didn't think a state institution would have the freedom of movement as they cannot go out of state or to other countries for recruiting purposes. He also said that if any state funding were provided it would not go for foreign students.

Senator Lewis then asked if AMU recruits students on an equal basis. Dr. Picton replied that as far as costs are concerned, there is no difference; he added that there is no out-of-state tuition at AMU.

Senator Lewis asked what advantage there was for a cross-cultural education center in Alaska, and Dr. Picton answered that it would enrich Alaska and its people, and stimulate trade, economics, etc.

Representative Wright stated that it was almost always impossible to get quality without increasing the budget, and asked if the cross-cultural program wouldn't drive the cost upward. Dr. Picton stated that AMU would never wish to give the impression that their budget would never be over \$2,000,000. Representative Wright then asked how much they expected the budget to increase. Dr. Picton replied there was no finite answer, but that there are some things AMU could do in the next two years which could make the difference.

Representative Wright mentioned a cut in salaries, and Dr. Picton remarked that the budget had been cut down as far as possible which yet allowed them to maintain a viable institution. Representative Wright asked if AMU would need \$2,100,000 next year. Dr. Picton stated that it was possible, and added that such increases were part of the history of private education.

Representative Haugen spoke of the cross-registration program and referred to a possible increase in staff and students. Dr. Picton said that the present staff could probably handle an increase of approximately 50 per cent in student body without a 50 per cent increase in student staff. He added that such a situation would not mean they could cut down on staff, because there were necessary classes that could not be done away with which could accommodate more students.

Reverend Wischmeier stated that cross-registration helps education in Anchorage, and AMU has a good base for a consortium now. Representative Wright asked how the consortium would increase income. Reverend Wischmeier replied that AMU gets reimbursed by those who are brought to them. Dr. Picton added that some students will go to Anchorage Community College and get complete programs there which AMU cannot offer, while AMU offers some classes which a student cannot find in the community college.

Reverend Wischmeier explained that under the cross-registration procedure there is no additional income, but a budgetary savings exists due to the fact that AMU does not have to duplicate any classes, other than the basic English and math courses.

Reverend Wischmeier said they were still waiting for the final reply from the Board of Regents regarding their latest proposition. Dr. Wood stated that the acknowledgment and examination had been sent back to AMU March 4. He mentioned the land area proposal and said he didn't think they should have to buy the land with 38 acres being under restrictive covenant at \$10,000 per acre.

Mr. Brundin passed out copies of the agreement and added that things were going so quickly that the most recent agreement drawn up had no substantial input from the Board of Regents. Copies of the memorandum and agreement are in the departmental files.

Senator Lewis emphasized the necessity of AMU making its dollar needs available to the committees so they will have all possible information.

Recess: The meeting was recessed at 4:45 p.m.

AFTER RECESS

5:00 p.m.

PRESENT Members of both Committees. Dr. McLean and Dr. Starcher, consultants for the Study of Alaska Higher Education, were present. Dr. William Wood, President of the University of Alaska, and members of his staff were also present. Sen. Merdes, Chairman of the Special Subcommittee on Higher Education, and Mrs. Banfield, a member of the Subcommittee were in attendance.

Chairman Hohman called the meeting back to order and said they were going to discuss the package of legislation that came out of the Study of Alaska Higher Education.

HB 604 Dr. Starcher began the discussion with HOUSE BILL NO. 604 (An Act relating to the Board of Regents of the University of Alaska). This bill says that no regent may serve more than one full length term. After completing an 8 year term, he may not be reappointed until one year has passed. Dr. Starcher said this recommendation was derived from the feeling that a member would have served to his maximum productivity during the eight years. If he happened to be one of those indispensable people, after a year off, he could be a reappointed. Dr. Starcher said they felt that in the long run this probably would be a good recommendation. They felt that new insights should be brought into the Board. He said that there was no national standard that was set, and that this bill proposed as good an average as they could get.

Mr. Warwick asked if any consideration had been given to enlarging the Board. Dr. Starcher said they had talked about it. He said that enlarging the Board would add expenses, travel, and more problems in getting to the business of the Board. He said that a smaller Board had more chances of getting 100% attendance at a meeting than a larger one. Dr. Starcher said that from their standpoint, they thought that a smaller Board could better cover the state both geographically and in professional involvement. In other words, they felt it to be a workable Board.

HB 605 Dr. Starcher moved on to HOUSE BILL NO. 605 (An Act relating to the meetings of the Board of Regents of the University of Alaska). Dr. Starcher said that mainly what the bill did was bring the board of Regents under state law, and makes them open to the public. Dr. McLean said that the main feeling about the Board of Regents was that they met in a small room and there was no encouragement for people to sit in on the meetings. Technically, the meetings are already open, but in fact they

are not attended by anybody other than members and University representatives. Dr. McLean said they proposed simply to put the Board of Regents under the same sort of stipulations that existed elsewhere.

Dr. Wood commented they had only had two executive sessions of the Board in 12 years, and those were only personnel matters. The rest of the meetings have been open, but it was true they had a small meeting room. He pointed out that they hold at least one Board meeting a year in each of the major regions. Dr. Wood said that he didn't think the bill did anything, since it was already the practice.

Mr. Brunden, a member of the Board of Regents, said they have actively tried to get more people to attend the meetings, but it has been their experience that what they do is so dry, that people get bored and leave.

HB 606

Dr. Starcher went on to HOUSE BILL NO. 606 (An Act relating to the Community College Act). Dr. Starcher said the bill proposes that the present directors of community colleges be called deans. He said that the whole bill was designed to give the legislative authority and feasibility to the community college. Dr. Starcher felt that like several of the bills they had talked about, it probably could be important to the community college in the recognition it gives them. It provides for a Community Advisory Council also. Dr. Starcher said that they already had these and they had proved valuable. He thought they were extremely important. This bill provided the impact of having the Council provided for in the statutes through legislation. Dr. Starcher said there were many complaints that community college faculty didn't receive the same rights as the faculty on the Fairbanks and Anchorage campuses. He didn't feel this to be necessarily true, although he did say that the people in the technical-vocational area enjoy. Perhaps a change could be brought about there.

Dr. Starcher referred to the section of the bill dealing with liaison. This is an association composed of the deans of the community colleges and is to be the official organization of the community colleges of the U. of A. This is a group meeting that is felt important by the directors of community colleges. It is a way for them to get together and discuss informally their mutual problems. He said there was no power attached to it, but the bill gave recognition to the group.

HB 607

Dr. Starcher went on to HOUSE BILL NO. 607 (An Act relating to the allocation of legislative appropriations by the University of Alaska). Dr. Starcher said that the bill provided that of the funds appropriated by the legislature to the university in

a fiscal year, the Board of Regents may not shift more than five per cent of any one account from that account to another. Dr. Starcher stated that this would keep decisions from being made arbitrarily.

Mr. Wright said that he would still want them to have to come back to the Budget and Audit Committee instead of moving anything around themselves. Dr. Starcher said they felt that would be a "straight-jacket".

HB 608

Dr. Starcher went on to speak about HOUSE BILL NO. 608 (An Act providing for tuition grants to students attending institutions of higher education in Alaska). He said the formula had been specifically worked out for Sheldon Jackson and AMU.

Mr. Wright asked how they had arrived at the figure \$1215. Dr. McLean said they didn't arrive at the figure, they arrived at a formula so that the state could get around any increase the private institutions decided to make. They had proposed a formula based on what it would cost the state to educate a student in a comparable geographical institution. They had asked the University what it was costing the University to educate a student in Anchorage and the figure they got from the U. was \$1215. Dr. Starcher pointed out that they were only paying operative expenses and nothing for capital improvements. It is what they feel the State could justify putting into AMU, based upon the information they have.

HB 609

Dr. Starcher went on to speak on HOUSE BILL NO. 609 (An Act providing for the issuance of general obligation bonds in the amount of \$40,050,000 for the purpose of paying the cost of capital improvements for the University of Alaska).

Mr. Warwick asked the criteria used for coming up with the different recommendations. Dr. Starcher told him they had depended heavily on the University's figures although they checked them as they went around from one community college to another.

Mr. Wright pointed out that at the main campus when students get to be juniors and seniors they drop out. He felt there was more than normal attrition because many of the students went south. Dr. Starcher said there were a number of explanations. He stated that the University was relatively new, and some people still thought of it in terms of what they knew 10 or 15 years ago. He said the curriculum was still somewhat restrictive.

Mr. Warwick asked if there was a need for more student housing on the main campus. Dr. Starcher said that they could have

used 200 more spaces if they had been available. He went on to say that they could take twice as many students on the campus, but they don't know if they would take the current curricula and utilize the labs which are now available. In order to double the student body, they will probably need other kinds of space. That is why the University has more space.

Dr. McLean said the University had proposals totaling \$70 million, but the Subcommittee had said they could only purchase \$40 million worth. They had to apply some value judgments, since they had to cut out almost as much as they put in. Sometimes, as in Juneau, where two buildings were proposed, they combined them. Othertimes they simply had to eliminate facilities.

Mr. Warwick asked about the \$1.5 million for a community college building on the Fairbanks campus. Dr. McLean said that it was largely a vocational-technical building.

HCR 19

Dr. Starcher went on to speak on HOUSE CONCURRENT RESOLUTION 19 (Relating to budgeting procedures of the University of Alaska) Dr. Starcher said the resolution was directed at the University and the legislature to develop some kind of formula which would evolve over the years. He said that it could be changed as it needed to be. He mentioned that the first resolve was that the U. of A. be requested to appoint a study commission composed of persons recommended by the President of the University with instructions from the Board of Regents to propose an appropriate formula for determining the amounts to be included in the university's appropriations request to the Governor and to the Legislature for each community college and for the campuses at Anchorage and Fairbanks. He read through the rest of the resolution. Dr. Starcher said that all states that he knew of with this kind of thing had provided it so that the universities and colleges wouldn't go to the legislature with things they saw as needs from their dreams.

Mr. Warwick asked Dr. Wood to comment on the formula. Dr. Wood said that he had never been greatly impressed that decisions regarding education could be made by a formula, however, he said that in their own program of budgeting, he is finding that it is something they can live with.

Mr. Warwick asked whether the present budget was based on formula and Dr. Wood said that portions of it were.

Mr. Warwick asked Dr. McLean and Dr. Starcher whether they would recommend a budget brought down to line items without a formula. Dr. Starcher said that the formula was something they were suggesting to help institutions have better input. The legislature