

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2539

Mr. Moses said that in 1968 a complete tax study had been done and one of the recommendations was that all fish taxes be in kind. He said he started out making all fish 4%, but the canned salmon industry opposed it because it would cut their taxes in half.

Mr. Haugen asked how much salmon was frozen in Kodiak and shipped out. Mr. Moses said very little in Kodiak, but there was a big trend towards it in Southeast. Mr. Haugen said Mr. Moses didn't know what he was talking about. He thought the tax would come out of the fisherman's pocket and thus the fishermen would be opposed to it. He stated that not one salmon from Southeast was shipped in round to Seattle.

Mr. Fink thought there should be an Attorney General's opinion on page 6, line 19 where it talks about a dedicated fund. It looked like a violation to him.

[Mr. Warwick arrived.]

Mr. Naughton said that part of the thing that makes the tax palatable to the fisherman is that it would go back to the industry in the form of research capabilities. Mr. Haugen did not want research to be in the hands of Fish and Game.

Mr. Naughton said there was nothing saying it went to the Dept. of Fish and Game so that if F.R.I. wanted to do the work, they could, or if U.of A. wanted to, they could.

Mr. Haugen didn't like the idea of taxing by-products. He said that the canneries were trying to think of how to get away from solid waste by developing by-products, and now they are trying to tax them on it.

Chairman Hohman stated that they would move on to another subject.

CS HB 670 Mr. Fink said they had left a mistake in CS for HOUSE BILL NO. 670 (An Act relating to retirement of justices and judges). In HB 670 the language allows only 50% of retirement in survivors' benefits and it was meant to allow 100%. Mr. Fink moved that 50% be left out of line 18 on page 2 so that they would be qualified to receive equal shares of benefits.

RECESS Meeting recessed at 3:00 p.m.

AFTER RECESS
5:00 P.M.

Present: All members except Representative Degnan (who arrived at 5:15 p.m.)

HCS

CSSB 264 Chairman Hohman stated that the committee would consider COMMITTEE SUBSTITUTE FOR SENATE BILL 264 ("An Act relating to retirement benefits; and providing for an effective date"). It was the consensus of the committee that a committee substitute be prepared that would:

- 1) cover persons under the judicial retirement system as well as public employees with major medical and life insurance under the state policy (they must pay premium).
- 2) elected officials to be included retroactively in the retirement system and make retroactive contributions.
- 3) state employee contributions are set at 4 1/4 percent of employee compensation, as recommended by the Governor.
- 4) retired employees working on a temporary basis may elect to make additional contributions to the retirement system to improve their benefits.
- 5) the definition of an elected official was changed to cover persons currently serving who elect to pay contributions required of an employee to the retirement system.

The staff was instructed to prepare a committee substitute incorporating the above provisions.

HB 510

The committee discussed HOUSE BILL 510 ("An Act making a supplemental appropriation to the State-Operated School System; and providing for an effective date."). It was the consensus of the committee that a committee substitute for this bill be prepared appropriating \$473,400 to cover the full cost of non-resident tuition payments to district schools and that the amount requested for teacher transportation costs not be appropriated.

Mr. Wright moved and asked unanimous consent that the committee substitute for HOUSE BILL 510 replace HOUSE BILL 510 and be moved from committee with a "do pass" recommendation; Chairman Hohman objected. All members voted "do pass" except Hohman and Degnan who signed the committee report "no recommendation".

HB 718 The committee considered HOUSE BILL 718 ("An Act creating the Commission on the Conference of the Law of the Sea"). Mr. Ditman moved and asked unanimous consent that the bill be moved from committee with a "do pass" recommendation and the following amendments:

Page 1, Line 27:

Insert a new subsection: "(3) the director of international fisheries to serve as executive secretary of the commission."

Page 1, between Lines 27 and 28:

Renumber "(3)" to "(4)" and delete "five" and insert "four" members.

All members voted in favor of Mr. Ditman's motion except Mr. Fink who signed the committee report "no recommendation".

HB 402 The committee discussed HOUSE BILL 402 ("An Act relating to a municipal bond bank authority; and providing for an effective date"); it was the consensus of the committee that the bill should be "cleaned up" as suggested by the Department of Revenue on the attached memo and a committee substitute prepared.

Mr. Warwick moved and asked unanimous consent that Committee Substitute for House Bill 402 be passed from committee with a "do pass" recommendation. All members voted in favor of the motion except Mr. Fink and Mr. Haugen who signed the committee report "no recommendation".

HB 403 Mr. Warwick moved and asked unanimous consent that HOUSE BILL 403 ("An Act appropriating to the bond bank authority; and providing for an effective date") be passed from committee with a "do pass" recommendation. All members voted in favor of the motion except Representatives Fink and Haugen who signed the committee report "no recommendation".

Recess The committee recessed at 6:00 to go into a closed session to take up budget matters.

MEMORANDUM

State of Alaska

TO: [The Honorable George H. Hohman
Chairman, House Finance Committee
Alaska State Legislature

DATE : April 13, 1971

FROM: *Eric E. Wohlforth*
Eric E. Wohlforth, Commissioner
Department of Revenue

SUBJECT: Section by Section Analysis of
House Bill No. 402 - "An Act Relating
to a Municipal Bond Authority; and
Providing for an Effective Date."

and
HB 403 -\$15 Million Appropriation

Sections 44.58.010. Legislative Policy. This section sets forth the policy of the State underlying establishment of the authority which is essentially to assist political subdivisions of the State in marketing bonds and notes at favorable rates of interest and provide for the orderly financing of public improvements during periods of restricted credit or money supply and to assist municipalities not otherwise able to borrow for capital needs during those periods.

Sec. 44.58.020. Municipal Bond Bank Authority. This section establishes the authority as an instrumentality of the State within the Department of Revenue.

Sec. 44.58.030. Membership and Vacancies. This section provides for a five-man board of directors to be appointed by the Governor and serving at his pleasure, in addition to the Commissioner of Revenue serving ex-officio.

Sec. 44.58.040. Officers and Quorum. This section sets forth customary powers to elect a secretary and treasurer, as well as a chairman.

Sec. 44.58.050. Bonding of Members. Sec. 44.58.060. Compensation and Expenses, and Sec. 44.58.070 are customary provision providing for surety bonds, expenses of directors of the Authority, and permission to employ agents and employees. Sec. 44.58.080 prohibits officers, employees or agents of the Authority from having any interest in the contract for services on materials furnished or used by the Authority.

Sec. 44.58.090. Powers of the Authority. This section cites the powers of the Authority in the effectuation of its corporate purposes and includes the power in paragraph 15 to render services to a political subdivision in connection with sale of bonds and the power to charge fees for services rendered.

Sec. 44.58.100. Limitations. This section prohibits the Authority from lending money to other than a political corporation and expressly negatives any implication that the Authority is permitted to operate as a private bank or dealer in securities.

Sec. 44.58.110. Annual Report and Audit. An annual report of the Authority's activities to the Governor and the legislature is required prior to September 1 of each year to cover the preceding fiscal year.

Sec. 44.58.120. Annual Budget. The Authority is required to adopt an annual budget not later than January 1 of each year and to file the same with various State officials. This time is designed to coincide with the budget submission annually required by the Executive Department for the Legislature.

Sec. 44.58.130. Care and Custody of Bonds. The Authority under this section is permitted to enter into contracts and agreements with banking institutions for the safekeeping of its investments and for services in connection with payments of principal and interest.

Sec. 44.58.140. Effect of Obligations. This section expressly negatives any implication that the bonds of the Authority are obligations of the State or constitute a pledge of the faith and credit of the State. Subdivision (b) is an express pledge that the State will not restrict the rights vested in the Authority to purchase municipal bonds or to fulfill any of its contractual obligations.

Sec. 44.58.150. Negotiability of Bonds or Notes. This section provides that bonds and notes of the Authority are fully negotiable within the meaning of the Uniform Commercial Code of the State.

Sec. 44.58.160. Bonds or Notes as Legal Investment. This section makes bonds and notes of the Authority eligible as legal investments in the State of Alaska.

Sec. 44.58.170. Tax Exemption. This section provides that bonds issued by the Authority are exempt from Alaska income taxation and exempts all Authority property from State taxation or local government taxation.

Sec. 44.58.180. Loans to Political Subdivisions. This section contains the general authority of the Authority to lend its money to political subdivisions to purchase municipal bonds of political subdivisions. It empowers the Authority to issue bonds and notes payable from the revenues of the Authority.

Sec. 44.58.190. Issuance of Bonds and Notes. This section enables the Authority to issue bonds to provide funds to make municipal loans, to pay bonds or notes issued by it or to establish reserves necessary to secure or pay bonds or notes issued. Subdivision (b) of this section provides that the bonds of the Authority are general obligations which may be additionally secured by pledges of income or revenues from other sources. Subdivision (c) limits the total amount of Bond Bank Authority bonds and notes which may be outstanding in any one time except, refunding bonds and notes, to the total amount of \$100 million.

Sec. 44.58.200. Form of Issuance. This section provides the mechanics for authorization of bonds of the Authority which may be issued without interest limitation set by statute or maturity limitation.

Sec. 44.58.210. Sale Price. This section provides that bonds of the Bond Bank may be sold at public or private sale at such price as the Authority determines.

Sec. 44.58.220. Approval of Governor. This section requires approval by the Governor of any resolution providing for the issuance of bonds of the Authority and also provides, except for such approval, that the Authority to issue bonds not be subject to the consent of other departments, divisions, commissions, or agencies of the State.

Sec. 44.58.230. Payment or Refunding of Notes. This section permits the issuance of short term note obligations of the Authority for its corporate purposes.

Sec. 44.58.240. Terms of Agreement of the Bond or Note Holder. This section details the permitted contents of authority of the bond resolutions and the necessary pledges and covenants which such a resolution may contain in order to secure payment of the bonds or notes.

Sec. 44.58.250. Purchase and Disposition of All Obligations. This section permits the Authority to purchase its own bonds and notes at its discretion.

Sec. 44.58.260. Bond Anticipation Notes. This section permits the purchase by the Authority and the sale by political subdivision of bond anticipation notes which may mature, including renewals, within five years from the date of original issuance.

Sec. 44.58.270. Marketability and Certification. This section requires that all municipal bonds purchased by the Bond Bank Authority must be in fully marketable form and accompanied by all certification necessary in the municipal bond market.

Sec. 44.58.280. Presumption of Validity. This is an estoppel provision which provides that no person may question bonds of the Authority after issuance.

Sec. 44.58.290. Reserve Fund. The reserve fund established under this section is held solely for the payment of the bonds of the Authority. Monies in the fund may not be withdrawn except to pay the bonds if such withdrawal would reduce the fund to below the "required debt service reserve." This reserve is defined to be the greater of the amounts required to be on deposit by resolution of the Bond Bank Authority or the amount appropriated by the State for the purposes of the fund. House Bill 403 appropriates \$15,000,000 for this purpose. Subsequent subsections provide that monies may be withdrawn from the fund when they exceed the "required debt service reserve," that monies in the reserve fund may be invested as with general fund monies of the State, for valuation of its investments in the fund at the lower of par value, cost, or market value of the instruments. Subdivision (f) provides that no bonds be issued by the Authority unless the required debt service reserve is on deposit in the fund.

Subdivision (g) anticipates the possible reduction of the reserve by reason of the necessary payments to meet principal or interest of Authority bonds. This section states the intention of the Legislature to appropriate the sum necessary to meet the required debt service reserve which shall be appropriated and paid to the Authority during the fiscal year the request is made. The request

is made annually by the chairman on or before January 1 of each year. This is the "so-called make-up clause" which seemingly but does not in fact require an annual appropriation by the State. Since no legislature can bind another to make an appropriation the section or subdivision is basically a statement of legislative intent. Such statements of legislative intent have been held valid and not to create State debts elsewhere. (They have, however, accounted for the successful marketing of bonds of similar agencies in other states.)

Sec. 44.58.300. General Fund. This section provides for the deposit in the general fund of monies of the Authority not required to be held in the reserve fund and of all monies received in payment of principal or interest on bonds purchased by the Authority. The general fund would also be the fund from which operating expenses of the Authority would annually be paid.

Sec. 44.58.310. Additional Funds and Accounts. This section provides that monies paid into an account established or held for bonds shall be applied in accordance with the terms of the creation of the fund or account and expended only for the purposes for which the account was established.

Sec. 44.58.330. Rights of Holders Paramount. This section requires the Authority to schedule marketing of its bonds and the lending of its money to political subdivisions so that it does not jeopardize the rights of holders of any existing bonds.

Sec. 44.58.340. Default in Payment. This section provides that upon the default in payment of the bonds on application 25% of the holders a trustee may be appointed by judicial proceeding to represent such holders.

Sec. 44.58.350. Powers and Duties of Trustee on Default. This section delineates the powers of the trustee to act on behalf of the bond holders on default of Authority.

Sec. 44.58.360. Personal Liability. This section exculpates members of the Authority or persons executing the bonds from personal liability.

Sec. 44.58.370. Exemption from Execution and Sale. This section exempts from levy and sale the property of the Authority.

Sec. 44.58.380. Lien of Pledge. This section creates a pledge of revenues of the Authority which is binding from the time when made regardless of physical delivery of the funds pledged.

Sec. 44.58.390. Federal Insurance of Guaranty. This section permits the Authority to obtain from agencies of the United States any guaranty insurance for the payment of the bonds, in the event such insurance hereafter becomes available.

Sec. 44.58.400. Surety for Deposit by Bank. This section authorizes undertakings of sureties to safeguard deposits of the Authority funds in the bank.

Sec. 44.58.410. Expenses of Administration. This section provides that all expenses incurred to carry out the chapter are payable only from revenues of the Authority and prohibits the Authority from incurring indebtedness on behalf of the State.

Sec. 44.58.420. Cooperation by Government Agencies. This section directs other agencies of the State to assist the Authority in the achievement of its purposes.

Sec. 44.58.430. Definitions. This section sets forth the definitions of certain terms used elsewhere in the Act.

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HOUSE FINANCE COMMITTEE

April 27, 1972

9:00 a.m.

Present: All members except Mr. Wright.

HCS
CSSB 264 Chairman Hohman called the meeting to order and said the committee would continue discussion of COMMITTEE SUBSTITUTE FOR SENATE BILL 264 (an Act relating to retirement benefits; and providing for an effective date). The committee had requested that a committee substitute be prepared and they discussed what should be included in this. (see page 557).

The committee discussed whether or not the bill should cover persons under the judicial retirement system. After much discussion, Mr. Fink moved and asked unanimous consent that this be included in the bill. No objection, so ordered.

The committee then discussed the definition of an elected official and decided this should cover persons currently serving who elect to pay contributions required of an employee to the retirement system.

Mr. Warwick moved and asked unanimous consent that HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE SENATE BILL NO. 264 be adopted in lieu of COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 264 am and that it do pass. (All members signing "do pass" except Mr. Haugen who signed "no recommendation".)

Mr. Wright entered the meeting.

The committee then discussed bills pertaining to state employees but no action was taken.

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

AFTER RECESS
April 27, 1972
1:20 p.m.

PRESENT: All members with the exception of Representative Degnan. Others in attendance were: Representative M. Miller, and Mr. Ralph Kimlinger of the Department of Revenue.

Chairman Hohman called the meeting to order.

HB 696 HOUSE BILL NO. 696 (An Act relating to state data processing activities and facilities; and providing for an effective date) was the topic of discussion.

Mr. Kimlinger stated that the bill puts the Department of Administration in control of all data processing machines. This would particularly affect the Department of Revenue's three accounting machines--L-4000 Burroughs models--which could result in a serious bind of the department's cash flow system. Mr. Kimlinger added that the Department of Revenue was not contacted to present testimony regarding HB 696, but they had prepared a package for that purpose.

Chairman Hohman suggested that data processing personnel from the Department of Administration and Mr. Phil Wall from the Department of Revenue be contacted to testify.

Representative Fink pointed out that the bill states that the Department of Revenue can maintain operation of their machines if the Commission of Administration so agrees. He added that this bill may infringe upon Criminal Justice too, and Representative Huber was making inquiries at the Office of the Attorney General.

Mr. Kimlinger stated that some sports fishing license data for 1972 had not yet been processed because the Data Processing Division was still dealing with 1971 data.

Mr. Warren Endicott, Director of Data Processing and Mr. Mike Wheeler, Deputy Director of Data Processing, Department of Administration entered the meeting.]

Mr. Hohman left the meeting. Representative Ditman was appointed acting chairman.]

[Mr. Phil Wall from the Department of Revenue entered the meeting.]

[Representative Degnan entered the meeting.]

Mr. Wall, Director of Administrative Services of the Department of Revenue gave his presentation to the committee (see pages 572 - 577 of the minutes).

[Representative Hohman entered the meeting; Representative M. Miller left the meeting.]

Representative Warwick stated that when the bill had been in committee previously, Mr. Warwick had questioned the need for it because he thought it could be handled administratively. Mr. Walls stated that he wished to get the control emphasis to put responsibilities into the executive management level, and felt this bill will lock it into the division level instead.

Mr. Endicott said that Eric Wohlforth, Commissioner of the Department of Revenue had praised the Division of Data Processing for methods and procedures in management analysis that the division had made.

Representative Warwick stated that the Governor should be spoken to concerning this issue, not the House Finance Committee. He said the executive department must iron it out, and then, the issue will come before the legislature.

Representative Hohman told those present that the House was due in session at 2:00 p.m., and the debate on HB 696 must be closed.

Mr. Kimlinger, Mr. Endicott, Mr. Morris and Mr. Wall left the meeting.

The committee then went into Executive Session at 1:55 p.m. before going into session at 2:00 p.m.

DRAFT

It is probably academic to review the progress in using Electronic Data Processing in State Government. However, some background is needed to provide understanding of current electronic data processing status in Alaska.

BACKGROUND

Data Processing personnel were problem solvers in a true data processing sense during the first few years of statehood. The problem was analyzed from data creation through data destruction. Manual, mechanical and electronic data processing principles were applied to solutions. The individual became the methods analyst, the statistician, the procedures analyst, the accountant, the management analyst, the keypunch operator, the programmer, the systems analyst, the computer operator, and often, the person responsible for the total job.

Inability to involve those who were really responsible, the tremendous acceleration in mechanical and electronic technologies, the soaring costs of equipment and personnel, failure to establish controls over and obtain response from computer supported procedures and dissatisfaction because benefits from the new procedures could not be measured or did not meet expectations, all contributed to the present state of the art in Alaska.

Data Processing functions were split apart in recent years and a series of very specialized jobs were created. Portions of the work previously performed by the data processing man were given to the new analytical, statistical and accounting positions along with professional status including specialized college training and substantial experience. The largest segment of the original function remained in tact. Electronic data processing. Much more specialized, lacking many of the decision factors which were not excluded from the specialized job, and left basically without access to the needed management procedures, methods and statistical sciences because these specialized jobs were slow to develop.

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DRAFT

In summary, it can be said that the purpose of Electronic Data Processing is SERVICE. It is, and must be, responsive to management needs as is a pencil, a typewriter or any other mechanical device. It is in fact a part of a larger data processing system. Our electronic data processing function is not ^{fully} serving this purpose. It has become ^{to some extent} a control oriented function in support of centralized services performed by the Department of Administration. Its approach to other Departmental needs has predetermined a computer solution, or as in the majority of cases, has only converted, with each technical (and mechanical) upgrading, the same level of support which it had assumed in the first few years.

Management throughout State government is responsible for the shortcomings to date. There is evidence that the ingredients for solving the problem are in-house. Management these days is much more technically oriented. Backgrounds and experience with systems using electronic data processing supports is becoming more common. The legislature has supported use of modern computer resources and this legislative interest has reduced manpower requests needed for doing the work manually which is forcing managers to accept change and look for other ways of doing things.

CONCERNS

Our concern is with the proper method of solving these problems. We feel, in view of what has happened, that HB 696 is poorly timed and will not support efforts to achieve measured, predictable results from Alaska's use of electronic data processing expenditures:

We have carefully reviewed the approach taken by the other states who have effective centralized computer services. None of these successful states have approached electronic data processing with statute authority at a division level. They have recognized the need to establish a positive policy. They have developed a written, approved plan. They have established a commission or group which was responsible for planning policy, and, most importantly, the assignment of priorities, to control the deployment of data processing technologies in the State, then they have executed the needed legislation and implemented their plan.

RECOMMENDATIONS:

1. Establish a "Data Information Systems Commission" within the Governor's office. This commission should be a permanent body composed of top management officials with authority to draw upon the considerable internal resources within State Government to accomplish its responsibility for:
 - a) Development and maintenance of a State Data Information System Plan (During April, the Division of Data Processing distributed a "first of its kind" questionnaire to all State agencies. Information on Electronic Data Processing systems was solicited from the Division Directors throughout State Government. We would think that top management in State government as well as the Legislature would want to review the result of this questionnaire as a State Data Processing Plan is developed.)
 - b) Establish priorities
 - c) Prepare required legislation
 - d) Prepare a written report and recommendation to the Legislature each year
 - e) Insure that annual budget requests accurately support the recommendation
 - f) Direct implementation and continued work as defined by the approved plan.
 - g) Establish measurement criteria and insure accomplishment of the plan.
2. The 'Commission' should be concerned with:
 - a) Total data processing systems (from data creation through data destruction)

draft

- 1) Emphasis on mechanical and automatic supports including such technologies as microfilm (and Computer Output Microfilm - COM) remote data capture, mini-computers, decentralized computers, terminals, contractual research and processing services (service bureaus) and consulting services.
 - 2) Policy on the above as well as confidentiality of data, release of data, service to political sub-divisions and exchange of data between agencies.
 - 3) Involvement with federal programs and/or funding.
3. Hold action on HB 696 in favor of the recommended procedure.

APPENDIX

We have prepared a folio of information which is contained in the remainder of this book. The information provides additional detail on the more important things discussed in this paper:

FOLIO CONTENTS

- I. A discussion of "Computers in State Government" by Alvin Kaltman of auerbach Associates
- II. Data Processing Plans for
 - a) Wisconsin
 - b) Minnesota
 - c) Illinois
- III. A recent article on Computer Output Microfilm (COM) by Ronald A. Frank, writer for the magazine "Computer World"
 - a) A comparison of the savings realized from producing the Motor Vehicle Registration Listing on COM.
- IV. Several recent articles on the "Invasion of Privacy" and confidentiality of computer information including the recent description of the Alaska "AJIA" project.

V. Article on specialized processing

a) Mini-computers

b) Contracting the complete EDP Service with private industry.

VI. An article on the responsibility for what the computer does.

VII. A copy of the recent "EDP Survey" distributed by the Department of Administration.

VIII. HB 696 - "Relating to State Data Processing Activities."

AFTER RECESS

3:35 p.m.

Present: All members.

HB 769 Mr. Ditman moved and asked unanimous consent that the committee consider HOUSE BILL NO. 769 (Alaska Oil and Gas Transportation Commission). Mr. Fink objected. He felt that the committee should first discuss the budget and finish this work. Then they should consider all the pipeline legislation together.

Mr. Fink objected to Mr. Ditman's motion; however, it carried 5 to 2 (Mr. Fink and Mr. Haugen voting no).

The committee then went into discussion on the pipeline legislation.

SB 168 Mr. Fink explained his feeling on SENATE BILL 168 am (oil and gas properties production tax). He said this is the Governor's bill and is based on the ad valorem tax passing. The committee discussed this in detail.

HB 569 The committee then discussed HOUSE BILL NO. 569 (an Act establishing the TransAlaska Authority as a public corporation of the state; and providing for an effective date). Mr. Ditman moved and asked unanimous consent that HB 569 be reported out of committee with individual recommendations. So HB 569 passed from committee with 5 "no recommendation" votes and 2 "do not pass" votes (Mr. Haugen and Mr. Fink voting "do not pass").

Mr. Fink said he would be in favor of a new ad valorem tax. He said he felt they had three choices -- they could let the local government charge whatever they wanted, they could say the local government could not charge anything or they could let them charge a limited amount.

Mr. Fink said the committee could also consider excluding pipelines, gathering lines and tank farms except that the local government could impose a local property tax not in excess of two mills.

The committee then discussed the effect the pipeline would have on Valdez and Fairbanks. Mr. Warwick said he felt that Anchorage would have a big influx but this would be for "software" and Fairbanks would have

"hardware" which is not taxable. Mr. Ditman said to a town with the population of Valdez the people who would come as a result of the pipeline would cause a big effect but in a city like Anchorage with such a large population there would not be a problem. Discussion followed.

Recess: The meeting recessed at 4:40 p.m.

AFTER RECESS
5:20 p.m.

PRESENT All members.

Chairman Hohman called the meeting back to order and said they would continue their discussion of the pipeline bills.

Mr. Fink said they were talking about no distribution. The State would take an ad valorem on 90% of the value and the local government could use local levy up to 10% of the value. In all probability this would mean local government could tax 2 or 2.5 mills. In other words, if they charged 20 mills on their 10%, it would be 2 mills. He said they could technically produce \$2 million a year for the North Slope Borough.

Mr. Fink stated that if they gave away 10% to local government that is a maximum of \$8 million realistically.

Mr. Warwick asked what authority the State would have for taxing on the federal corridor. Mr. Fink said they probably ought to get an Attorney General's opinion on whether or not they could impose ad valorem on pipeline going across federal land.

SB 168am Mr. Warwick pointed out that SENATE BILL NO. 168 amended (An Act relating to oil and gas properties production tax) was what they were working with.

Mr. Fink said that rather than reduce his cents per barrel to back up that ad valorem, they could just accept the Governor's cents per barrel, which is just a little lower than it ought to be. He explained that this way they could pick up the property tax immediately even though they couldn't pick up Cook Inlet.

HB 598 Mr. Fink thought that what they should do was pick up the Governor's HOUSE BILL NO. 598 (An Act providing for a state tax on property used in connection with exploration for/transportation of unrefined oil/gas) and put it into a Committee Substitute for SB 168.

The Committee decided to have the Committee Substitute drawn up so they could consider it the following morning.

At this time the Committee went into budget work. See budget minutes.

HOUSE FINANCE COMMITTEE

April 28, 1972

8:35 a.m.

Present: All members.

Chairman Hohman called the meeting to order and announced that the committee would continue discussion of the pipeline legislation.

SB 168 The committee discussed in detail SENATE BILL NO. 168 (oil and gas properties production tax). They directed that a committee substitute be drafted which would include the items listed on page 586.

HB 598 The committee then discussed HOUSE BILL NO. 598 (an Act providing for a state tax on property used in connection with exploration for transportation of unrefined oil and gas). The committee requested that a committee substitute be prepared.

Mr. Fred Boetsch, Director of Revenue Audit, entered the meeting.

SB 289 Mr. Hohman requested that Mr. Boetsch present his views on COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 289 (filing of consolidated corporation income tax returns). Mr. Boetsch explained that this will eliminate the necessity for corporations to file numerous returns to the same agency. He said this will enable them to enforce the multi state tax compact which had passed several years ago. This technique had been advanced by California many years ago when they had a problem with the oil industry, he added.

Mr. Warick referred to a memo from Mr. Boetsch (see bill file) which indicated the state would end up with more revenue. He asked if Alaska would get more revenue at a detriment to other states. Mr. Boetsch said to some extent this would be true. He explained the procedure used by some corporations which shows a negative or small amount. He added that the multi state tax regulation says all of this has to be included in the apportionable base. Each state will now get a portion of that intangible income. Mr. Boetsch gave several examples of companies that would be effected.

Mr. Boetsch left the meeting.

Mr. Warwick moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR SENATE BILL 289 be passed from committee with a "do pass" recommendation. No objection, so ordered.

Recess: The meeting recessed at 9:25 a.m.

AFTER RECESS
11:55 a.m.

Present: All members except Mr. Ditman.

HB 621 Chairman Hohman called the meeting to order and the committee considered HOUSE BILL NO. 621 (an Act relating to bus transportation for children attending nonpublic schools). It was moved and unanimous consent asked that HOUSE BILL NO. 621 pass from committee with a "do pass" recommendation. No objection, so ordered. (all members signing "do pass" except Mr. Ditman who was absent)

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

AFTER RECESS
April 28, 1972
4:10 p.m.

PRESENT: All members.

BILL
ASSIGNMENT: Chairman Hohman called the meeting to order and made the following bill assignments:

SB 337 SENATE BILL 337 (An Act relating to agricultural and industrial fairs) - Wright

HB 777 HOUSE BILL 777 (An Act relating to foundation program support of special education; and providing for an effective date) - Wright

CSSB 325 COMMITTEE SUBSTITUTE SENATE BILL 325 (An Act relating to the teachers retirement system) - Fink

SCR 19 SENATE CONCURRENT RESOLUTION 19 (Relating to the establishment of a law center, including a law school in Alaska) - Warwick

SB 168 SENATE BILL NO. 168 (An Act changing the payment and reporting period of the oil and gas properties production tax; and providing for an effective date) was then discussed by the committee. A committee substitute had been drafted, and the committee went over it in detail. It was decided that the committee substitute be changed, and these changes are noted on Page 586 of the minutes. Representative Fink moved and asked unanimous consent that HOUSE COMMITTEE SUBSTITUTE for SENATE BILL NO. 168 do pass from committee. No objection so ordered.

CSHB 598 COMMITTEE SUBSTITUTE FOR HOUSE BILL 598 (An Act providing for a state tax on property used in connection with exploration for and transportation of unrefined oil and gas; and providing for an effective date) was then brought forth for discussion. A committee substitute had been drafted, and the committee went over it in detail.

The committee discussed the tax payment date, and it was decided to change the date to June 30.

Discussion then moved to the assessment review board mentioned in CSHB 598; Representative Fink stated that it should consist of commissioners from the departments of Commerce, Revenue and

Administration. Representative Hohman suggested that the Attorney General also participate, but Mr. Fink said that he will be there in any case, representing the state. Representative Haugen suggested that the commissioner of the Department of Natural Resources should also be considered, but Mr. Fink stated that he wished to see an uneven number sit on the board. Representative Hohman then said that the assessment review board would consist of the commissioners from the departments of natural resources, administration, commerce, revenue, and the attorney general.

Mr. Jay Hogan asked the committee if they wanted to make any decision on the chairman of the assessment review board. Representative Hohman said the Governor should appoint the chairman.

Discussion followed on the definition of "taxable real and tangible personal property".

After the changes on the drafted committee substitute (see Page 586 of the minutes) of CSHB 598, Mr. Warwick moved and asked unanimous consent that the committee recommend that CSHB 598 be replaced with Committee Substitute for CSHB 598, and that Committee Substitute for CSHB 598 do pass. Representative Haugen signed the Committee Report "no recommendation". Representatives Wright, Hohman, Warwick, Fink, Ditman, and Degnan signed "do pass" with Committee Substitute.

HB 769

HOUSE BILL NO. 769 (An Act relating to the Alaska Oil and Gas Transportation Commission; and providing for an effective date) was then brought forth for discussion. A committee substitute had been drafted, and the committee went over the draft in detail, and most of the discussion centered around "gathering lines".

Representative Warwick then moved and asked unanimous consent that Committee Substitute for HOUSE BILL NO. 769 be passed from committee with a "do pass" recommendation. No objection, so ordered. (See Page 587 of minutes for changes in the Committee Substitute)

HB 770

The committee then moved on to HOUSE BILL NO. 770 (An Act relating to lease of rights-of-way over state land for the transportation of oil and gas within the state and providing for an effective date).

Representative Fink mentioned the drafted Committee Substitute in which he had listed most of the conditions that were in the original bill, but had deleted a few.

Discussion then followed on the difference between the common purchaser concept (anyone who presents oil to the line must purchase it) and the common carrier concept (he must carry the oil if he presents it).

It was decided that changes be made in the drafted Committee Substitute which are noted on Page 587 of the minutes.

Representative Warwick then moved and asked unanimous consent that Committee Substitute for HOUSE BILL NO. 770 be passed from committee with a "do pass" recommendation. All members voted "do pass" with the exception of Representative Haugen who signed "no recommendation".

Speaker of the House Gene Guess entered the meeting. [Kent Sturgis of the press also entered the meeting.]

Chairman Hohman requested that Representative Fink run through what the committee had done during the meeting on the four bills for the benefit of the Speaker. Mr. Fink gave a brief speech on the changes which the committee had made for each bill.

ADJOURNMENT: The meeting adjourned at 5:55 p.m.

HOUSE JOURNAL

FINANCE COMMITTEE REPORT

ON

HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO 168

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 598

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 769

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 770

The Finance Committee has reported out this "package" relating to the taxation of oil and gas and the regulation of oil and gas pipeline transportation. It is the position of this committee that the simplest and clearest combination of revenue and regulatory measures is, in the long run, in the best interest of both the state and the industry. This package has been designed with this in mind, to accomplish the following objectives:

- (1) HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL 168 incorporates the Governor's approach on cents per barrel taxation of oil. Basically the cents per barrel tax creates a \$2.50 per barrel floor on oil value within the currently existing severance tax framework. Should the value of North Slope oil fall below \$2.50 a barrel, the cents per barrel rates will come into play and guarantee certain minimum revenues based upon the well's ability to produce. The substitute also incorporates language making the payment of severance tax due monthly as opposed to quarterly.
- (2) COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 598 complements the revised severance tax by levying a 20 mill ad valorem tax on "tank farms, tanker terminals, gathering and transmission lines, and related oil or gas storage and transport facilities . . .". Reimbursement of local government for impact of oil and gas development is accomplished in two ways:
 - (a) Local governments may levy a tax not to exceed 20 mills on not more than 10 per cent of the value of the taxable property; and
 - (b) Units of local government may request reimbursement through the appropriations process to offset the costs of oil and gas development within their boundaries. Rather than create new administrative machinery, the bill simply establishes an assessment review board consisting of the commissioners of administration, commerce, natural resources, revenue and the attorney general.

4/28/72

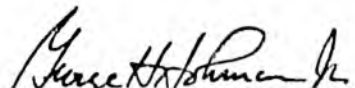
HOUSE JOURNAL

- (3) COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 769 simply adds to the general powers of the Alaska Public Utilities Commission the authority to regulate oil or gas transportation facilities when such regulation is not in conflict with the Interstate Commerce Act of 1906 or the Natural Gas Act of 1938.
- (4) COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 770 gives the Director of the Division of Lands the authority to grant a right-of-way for oil and gas pipelines subject to APUC regulation. The act spells out the following conditions for a right-of-way lease:

The lessee shall

- (a) be a common carrier and a common purchaser of oil and gas;
- (b) transport products without unjust or unreasonable discrimination;
- (c) exchange products;
- (d) provide connections and inter-connections where economically feasible;
- (e) provide fire, liability and property insurance; and
- (f) submit security or bond against faithful completion of operations.

The Commissioner of Natural Resources is authorized to negotiate the right-of-way lease and to establish a reasonable rate or fee.


George Hohman
Chairman

HOUSE FINANCE COMMITTEE

April 29, 1972

2:35 p.m.

Present: All members

Chairman Hohman called the meeting to order and assigned the following bills:

- SB 279 SENATE BILL NO. 279 -- G.O. Bonds - \$3,500,000 for Hill-Burton Hospital -- Warwick
- SB 270 SENATE BILL NO. 270 -- Relating to motor vehicle registration -- Degnan
- SB 307 SENATE BILL NO. 307 -- Appropriation \$10,200 to Dept. of Public Works -- Hohman
- SB 426 SENATE BILL NO. 426 -- Appropriating \$304,085,800 for operating and capital expenses of state government -- committee

HB 503 The committee then considered HOUSE BILL NO. 503 (supplemental appropriation to the Department of Law). The appropriation was for \$270,900; however, there had been additional requests and the committee discussed this.

Mr. Fink said he felt that the budget for the Department should cover these cases -- he did not feel that the Department's claim that they had special litigation was justified.

Representative Kerttula entered the meeting.

The committee discussed which items should be included in the supplemental and agreed to have a committee substitute for a total of \$305,522 prepared. This covered:

\$11,000 in additional expenses for Cook Inlet
1,250 Creswell v. Smith and State of Alaska
15,000 Curkendall v. Smith and State of Alaska
7,472 Boucher v. Bomhoff, Bradley et all

Mr. Hohman moved that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 503 be adopted in lieu of HOUSE BILL NO. 503 and that it do pass. So CSHB 503 passed from committee with 5 "do pass" recommendations and 2 "do not pass" recommendations (Mr. Fink and Mr. Haugen voting "do not pass").

HB 505 The committee then considered HOUSE BILL NO. 505 (an Act appropriating to the Department of Public Works, \$900,000).

Mr. Hohman moved and asked unanimous consent that HB 505 pass from committee with a "do pass" recommendation. After a brief discussion, HB 505 passed from committee with 5 "do pass" recommendations and 2 "no recommendation" votes (Mr. Warwick and Mr. Fink signing "no recommendation").

HB 568 The committee then considered HOUSE BILL NO. 568 (an Act appropriating to the Department of Public Works, \$214,000). Mr. Hohman moved and asked unanimous consent that HB 568 pass from committee with a "do pass" recommendation. No objection, so ordered.

HB 521 Discussion then followed on HOUSE BILL NO. 521 (appropriating to Legislative Affairs Agency for mapping and appraisal work in the unorganized borough). The committee discussed whether this was the same appropriation which had been referred to in HOUSE CONCURRENT RESOLUTION NO. 51 am (study of ramifications of statewide property tax). This resolution had been amended by Finance and passed from committee on April 24, 1972.

Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 521 pass from committee with a "do pass" recommendation. HB 521 passed from committee with 5 "do pass" recommendations and 2 "no recommendations" votes (Mr. Firk and Mr. Haugen signing "no recommendation").

HCS CSSB 264 The committee then considered SENATE BILL NO. 264 (an Act relating to retirement benefits). A Finance Committee Substitute had passed from committee on April 27, 1972; however, an amendment had been introduced on the floor and it had been returned to Finance.

Miss Hackwood, Benefit Supervisor, had entered the meeting and distributed information entitled "Alaska PERS, Retroactive Application of Current Benefit Formula to Current Retirees (see bill file).

After a brief discussion, Miss Hackwood left the meeting.

HCR 47 Mr. Hohman moved and asked unanimous consent that HOUSE CONCURRENT RESOLUTION 47 (construction of foot and bicycle trails and paths) pass from committee. The motion failed 2 to 5 (Mr. Hohman and Mr. Degan voting to pass the bill).

HB 742 Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 742 (establishment of foot paths and trails along highways) pass from committee with a "do pass" recommendation. Objection was noted and the motion failed 2 to 5 (Mr. Hohman and Mr. Degnan voting to pass the bill from committee).

HB 813 Mr. Degnan moved and asked unanimous consent that HOUSE BILL NO. 813 (appropriating \$20,000 to Mr. and Mrs. Joe Redington, Sr.) pass from committee with a "do pass" recommendation.

Mr. Kerttula gave the background on this claim.

So HB 813 passed from committee with 5 "do pass" recommendations, 1 "no recommendation", and 1 "do not pass" votes (Mr. Fink voting "do not pass" and Mr. Haugen voting "no recommendation").

HB 247 Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 247 (an Act creating the Department of Transportation) be passed from committee with a "do pass" recommendation. Objection was noted and the motion failed 2 to 5 (Mr. Degnan and Mr. Hohman voting "do pass").

HCS CSSB 264 The committee then returned to consideration of HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 264 (relating to retirement benefits). After much discussion, the committee decided to add the following amendment:

Page 3, line 10: after "other employee" add the words
"and retired employee"

Page 6, between lines 10 & 11:
add a new Sec. 16 to read:
* Sec. 16. AS 39.35.125 is repealed.

Page 6, line 11: Change "*Sec. 16" to read "* Sec. 17".

Mr. Hohman moved and asked unanimous consent that HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 264 (Fin.) as amended pass from committee with a "do pass" recommendation. No objection, so ordered.

Adjournment: The meeting adjourned at 4:30 p.m.

OPER

BUD

HOUSE FINANCE COMMITTEE

May 2, 1972

8:45 a.m.

PRESENT: All members with the exception of Representative Ditman. Mr. Joe La Rocca and Mr. Kent Sturgis from the press were also present.

Chairman Hohman called the meeting to order.

BILL ASSIGNMENT: The following bill assignment was made:

CSSB 411 COMMITTEE SUBSTITUTE SENATE BILL 411 (An Act relating to the retirement of Alaska Supreme Court Associate Justice John Dimond; and providing for an effective date) - Fink

HB 549 HOUSE BILL NO. 549 (An Act providing for tuition grants to students attending institutions of higher education in Alaska; and providing for an effective date) was discussed.

Representative Wright stated that the Finance Committee Substitute for HOUSE BILL NO. 549 will save the state money. He said this will keep Sheldon Jackson open, and competition is desirable. He said that the school must also have assurance that they can collect a certain percentage of their budget from private sources.

Representative Wright then moved and asked unanimous consent that Finance Committee Substitute for HOUSE BILL NO. 549 be passed from committee with individual recommendation. The motion failed 2 to 4. (Representatives Degnan and Wright voting that it be passed out).

[Mr. Kent Sturgis left the meeting.]

SB 264 The committee then moved on to SENATE BILL NO. 264 (An Act relating to retirement benefits; and providing for an effective date). Mr. Jay Hogan stated that there is a problem with the amendment because territorial employees are not covered by it; it was difficult to decide on what type of amendment could fit those people. Representative Hohman asked how many employees the bill involved. Mr. Hogan said he was not sure, but that Ms. M. J. Hackwood from the Department of Administration would know. Representative Hohman stated that the Finance Committee amendment to the bill will cut out legislative retirement. He asked if that was still the wish of the committee. Representative Fink stated that the committee should not be terminating the vested interests of other legislators; they must be given the option to retain what they have already, but that was all. Mr. Hohman then referred to

AS 39.35.125.

[Mr. LaRocca left the meeting.]

Representative Fink stated that the present vested period is eight years while the new bill changes to a period of five years. He said the bill was good for the man who was planning to stay in state service until he was 65 years of age; the person contributes 4 & 1/4 per cent of his compensation to the public employees' retirement system, while the state contributes 10 & 1/4 per cent.

Mr. Jay Hogan suggested that legislators have until December 31, 1972 to decide whether or not they want to leave their money in the program.

The committee decided to reword the amendment for SB 264 which had been agreed upon on April 29, 1972 to read as follows:

(Page 6; Line between Lines 10 & 11)

add a new Sec. 16 to read:

* Sec. 16. AS 39.35.125 is repealed provided that any elected official who is vested is entitled prior to December 31, 1972 to elect to take a deferred or early retirement under the terms of the Public Employees' Retirement System of Alaska.

(Page 6, Line 11)

Change "* Sec. 16" to read "*Sec. 17".

(Page 3, Line 10)

after "other employee" add the words "and retired employee".

[Representative Ditman entered the meeting.]

HB 592 HOUSE BILL NO. 592 (An Act making a supplemental appropriation to the University of Alaska; and providing for an effective date) was up for discussion. The amount of the supplemental appropriation was changed from \$350,000 to \$400,000. Representative Hohman moved asked unanimous consent that Committee Substitute for HOUSE BILL NO. 592 be passed from committee with a "do pass" recommendation. No objection, so ordered.

HB 549

HOUSE BILL NO. 549 (An Act providing for tuition grants to students attending institutions of higher education in Alaska; and providing for an effective date) was again discussed by the committee.

Representative Wright moved that they vote on the Finance Committee Substitute for the bill with individual recommendations. Representative Hohman asked how much it would cost if the bill passed; Mr. Wright guessed \$700,000. Mr. Hohman then asked if that would be deducted from the \$4,000,000 scholarship loan program. Mr. Fink said that it would be deducted in free conference.

Representative Wright explained that it is not a dual grant; if the children get a loan, they are not eligible for forgiveness. A Decrease in loan requests for children at those schools will occur. He again emphasized that the state will promote competition and ultimately save money with this bill.

Mr. Wright again moved for individual recommendation on Finance Committee Substitute for HOUSE BILL NO. 549. Mr. Fink objected. Those members signing the majority report, recommending that CSHB 549 be replaced with Finance Committee Substitute for HB 549 and that Finance Committee Substitute for HB 549 be reported back without recommendation were Representatives Hohman, Warwick, Degnan, Wright and Ditman. Representatives Fink and Haugen signed "do not pass".

HB 695

HOUSE BILL NO. 695 (An Act relating to community schools; and providing for an effective date) was brought forth for discussion. It was decided that Mr. Bob Thomas, Deputy Commissioner of the Department of Education should appear before the committee this afternoon at 4:30 to speak on HOUSE BILL NO. 695.

HB 588

HOUSE BILL NO. 588 (Coverage of correctional officers under Public Employees Retirement System) was brought before the committee. Representative Hohman moved that HB 588 be passed from committee. Mr. Fink objected. The bill passed 4 to 2, Representatives Fink and Haugen signing "do not pass".

Representative Wright stated that he had a question on the fiscal note on HB 588, because two different amounts were listed. Representative Fink suggested that M.J. Hackwood be called upon to reconcile the two figures.

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

HOUSE FINANCE COMMITTEE

May 3, 1972

8:35 a.m.

PRESENT: All members. Mr. William Overstreet, Executive Secretary of the Association for Alaska School Boards and Mr. Nathaniel Cole, Director of Administrative Services of the Department of Education were also present.

Chairman Hohman called the meeting to order.

HB 695 Under discussion was HOUSE BILL NO. 695 (Relating to community schools).

Mr. Overstreet explained the community schools concept to the committee. He stated the main thrust of the program was the utilization of schools during evenings which would otherwise be space "sitting idle". The director or agent of the program acts as communicator in his neighborhood and tries to coordinate programs which meet the recreational and social needs of the community. He said Juneau had implemented the concept this year by employing a few people and conducting 27 programs in schools. He stated that the bill would provide that schools in the state would have two per cent of the foundation support ultimately to keep their schools open to provide these programs.

Representative Hohman asked how the community school concept differed from community college programs. Mr. Overstreet said the difference was to utilize space otherwise not being used, and more programs can be offered to the community. He added that they have tried to avoid duplication of programs found in the community colleges; he emphasized that it was a complementary program--not a competitive one--and offered a broader view of education.

In response to Mr. Warwick, Mr. Overstreet said that other states, which have adopted the community school program, have indicated that it takes five per cent more than the normal operating budget of the school system, therefore, the fund would be 40 per cent of the total.

Representative Fink then asked if the concept would be for the bush area or the urban area. Mr. Overstreet said that it would be for both, but felt it was especially necessary in the urban area because it was usually more difficult to maintain an "over-all" community feeling there. He added that four states have moved to implement the community school concept, and it is the most rapidly growing reform in education today.

Mr. Fink asked how many people were involved in the Juneau community school program. Mr. Overstreet replied there were approximately 1,000 people in the program. Other programs were being offered besides athletics, he said, such as carpentry, art classes, home electrical wiring, auto mechanics, etc. Mr. Fink pointed out that in the Anchorage area, those programs are offered by the community college.

Mr. Fink then asked how urgent was the need for the community schools program. Mr. Overstreet replied that he felt it was quite an urgent matter; many community needs are not being met. He stated that the initial cost would be \$30,000 for the first year, and the maximum would run to \$1.4 million as different school districts entered the program. The two per cent rate is not available until there is a certain proportion of schools in the program.

Mr. Cole said that the fiscal note is predicated on starting the program in 1973 and if the program is delayed, the fiscal note must then be revised.

There being no further discussion, Mr. Overstreet and Mr. Cole left the meeting.

Representatives Fink and Warwick both felt the community school program is a duplication of what the community college is or should be offering. Representative Wright agreed.

The bill was sent back to the file.

RECESS:

The Chairman called a Democratic committee caucus, and the meeting recessed at 9:05 a.m.

AFTER RECESS

3:00 p.m.

Present: All members.

Chairman Hohman called the meeting to order and assigned the following bills:

- HB 782 HOUSE BILL NO. 782 (relating to Alaska business license tax) -- Ditman
- HB 815 COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 815 (appropriating \$75,000 to Dept. of Law for a study of limited entry fishery) - Ditman
- HB 820 HOUSE BILL NO. 820 (Appropriating \$2,380,900 to SOS for bilingual education) -- Degnan
- HB 821 HOUSE BILL NO. 821 (Appropriating \$1,550,000 to University of Alaska for Native Language Center and program) -- Degnan
- SB 421 SENATE BILL NO. 421 (relating to bilingual education) -- Degnan
- SB 424 SENATE BILL NO. 424 (relating to the establishment of an Alaska Native language center at the Univ. of Alaska) -- Degnan

Mr. Warwick then reported on a library program that Mrs. Patsy Willey had discussed with him. He said that Mrs. Willey indicated that a good communications program has been set up. The committee briefly discussed this.

The committee then went into a budget close (see budget minutes).

HOUSE FINANCE COMMITTEE

May 4, 1972

5:35 p.m.

Present All members

CSSB 51 Chairman Hohman assigned COMMITTEE SUBSTITUTE FOR SENATE BILL 51 ("An Act relating to classification of public lands") to Mr. Ditman

SB 28 The Committee discussed SENATE BILL 28 ("An Act establishing a Violent Crimes Compensation Board; and providing for an effective date").

Mr. Fink stated that the insurance companies had no strong feelings about this bill and that the bill would provide insignificant competition to the insurance industry. He stated that he, personally, was opposed to the bill and had spent considerable time on it in the Judiciary Committee during prior sessions.

Chairman Hohman asked the members to indicate by a show of hands if they were in favor of moving this bill from committee at this time; two members voted to move the bill from committee. The bill was returned to the file.

The meeting was adjourned at 5:45 p.m.

HOUSE FINANCE COMMITTEE

May 5, 1972

8:40 a.m.

Present: All members with the exception of Representative Ditman. Also present was Mr. Gary Holthaus, Director of the bilingual education program under the Department of Education.

SB 421 Chairman Hohman called the meeting to order. The subject of discussion was the bilingual education program which was related to SENATE BILL NO. 421 (Relating to bilingual education), SENATE BILL NO. 422 (Appropriating to State Operated School System for bilingual education), SENATE BILL NO. 423 (Appropriating to the University of Alaska for the creation of Alaska Native language center & implementation of its program), HOUSE BILL NO. 820 (Appropriating \$2,380,900 to State Operated Schools for bilingual education) and HOUSE BILL NO. 821 (Appropriating to University of Alaska for the creation of the Alaska Native language center and implementation of its program \$1,550,000) and SENATE BILL NO. 424 (Establishment of Alaska Native language center at University of Alaska).

Mr. Holthaus explained that there is a great need for a bilingual education program in Alaska's rural villages. The initial expense will result in a savings to be seen in the near future; the program makes more efficient use of personnel which will provide multiple services, and Title 7 and Title 1 will generate federal money. Title 4 (social security) may also be available.

Mr. Holthaus said the fact that Eskimo children have only English speaking teachers results in a lack of communication and frequently a lack of interest on the student's part. He said the difficulty not only lay in the basic learning of math and science (for example) but also trying to learn those courses in a new and different language. Mr. Holthaus said that if a student becomes literate in his own language first, then it is much easier to learn courses and another language. He stated that tests prove that as students become older, the achievement gap among them grows; with the bilingual program, there is a better and more rapid chance of achievement.

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Mr. Holthouse mentioned a test taking place in Bethel and in BIA schools down the Kuskokwim. Children there learn English faster by being taught just 1/2 hour a day in the language rather than those who hear English all day long from a teacher who speaks just the English language.

He stated the bilingual program is also needed in other villages where the language problems are even more complex; language patterns have become mixed, and although some English vocabulary may already be known, the person's achievement rates are still quite low due to language confusion. Many may speak some English but without any knowledge of English grammatical patterns, etc. He said children must be provided with good instruction in their own language and in English as a second language. He spoke of a co-ordiante system where children can learn two languages simultaneously.

He said they now have Title 7 program money in approximately six communities including Bethel, and have some Title 1 money in two communities.

Mr. Holthaus stated that funding for these projects is difficult. He added that no equality in education can be provided unless this program goes through.

Chairman Hohman asked if Title 1 money dealt with innovative approaches to education problems. Mr. Holthaus replied that it did, but it must be used with children in classrooms only. He said Title 7 money was aimed at bilingual programs only, and is seed money for experimental programs.

Representative Fink asked what qualifications Mr. Holthaus had. He stated that he had been with State Operated Schools in the bilingual program since last July, and had worked with the program one year ago as consultant to village people. He had previously taught school for one year in Naknek and had worked for four years at Alaska Methodist University in the development office as a recruiter.

Representative Fink asked why Title 7 money was not sufficient. Mr. Holthaus stated that it does not allow them to expand their programs horizontally; it only provides vertical expansion which means expanding within a single school only.

Mr. Holthaus stated that they received \$200,000 in Title 7 money, and \$38,800 in state money. Title 7's total investment is \$358,000. He said Title 1 put forth \$25,000 for FY-72.

Representative Wright asked if there was any BIA funding for this fiscal year. Mr. Holthaus stated that they contributed nothing to the program. He did say, however, that when State Operated Schools contracted with the University of Alaska for materials, BIA hopes to pick up that cost. He said their training programs are essentially the same. Representative Hohman pointed out that according to some information he had before him, there were four funding sources for the program: Title 7, Title 1, State Operated Schools and BIA. Mr. Holthaus said that the reference to BIA as a funding source must refer to the fact that there would be a shared cost of materials development. He added that BIA money cannot be "tapped" by State Operated Schools, but it can be done by the University of Alaska.

Representative Hohman then referred to \$90,000 which was in the budget request, anticipated by the University from State Operated Schools. Mr. Holthaus said they will be contracting with an Eskimo workshop for approximately that amount, but the money will be Title 7 funds.

Representative Hohman said he was against the move to centralize Native culture at the University of Alaska; he stated that such centers should remain on the community level. Mr. Holthaus said that although an Alaska Native language center is needed, it does not have to be located in Fairbanks. He stated that the Eskimo center could be in Bethel, while the Athabascan center could be located in Fort Yukon, but he thought it wise to have a central agency for materials, etc. Chairman Hohman said he expected that the center would go into Fairbanks; he based his assumption on the past history of such projects. He stated that depositories of Native cultures should be centralized in those Native villages.

Representative Degnan then stated that the bilingual program was necessary. He mentioned that in 1964 action was taken to make the Eskimo language a written language. He added that the people must know how to communicate with their teachers.

Representative Wright stated that he saw no starting point for the program. Mr. Holthaus said that the program had already started, and now that they have their priorities established, they have an end in mind, too.

Mr. Holthaus then referred to a study done on the bilingual program: where it is to be implemented, and what languages are needed, etc. He pointed out that they hoped to reach the third column of the chart which meant an expansion to more schools. He said that in some villages they could add just one teacher which would service eight classrooms.

Representative Wright referred to the 1972-1973 figures in HB 820 which related to 7 classes in the amount of \$200,000. He then asked how that money would be spent. Mr. Holthaus said \$120,000 will go for Personal Services; \$11,000 for travel; \$106,000 for Contractual services (with the University of Alaska for example); \$38,000 is then supplemented by the state. He stated that one 1/2 time research psychologist is required by Title 7 to measure the program's results and progress, and another research psychologist is required to look over the other's work.

Representative Wright then asked what they will be doing with the \$440,900 scheduled for 1973-1974. Mr. Holthaus said \$316,500 will go to Personal Services (28 people will be working in the classroom for 10 months and four people will be monitoring the program for 12 months. One Secretary will be hired); and \$325,000 is for Contractual Services, of which \$300,000 will go to the University of Alaska. He said \$8,000 will go for equipment in additional schools; and \$38,000 will be a travel cost.

Representative Wright then concluded that on top of what will have been given to the program, they will need \$600,000. Mr. Holthaus said yes.

There being no further discussion, the meeting recessed at 10:00 a.m.

HOUSE FINANCE COMMITTEE

May 7, 1972

11:10 a.m.

PRESENT: All members with the exception of Representatives Ditman and Warwick. Also present were Commissioner McGinnis of the Department of Health & Social Services, Mr. D. Weigelt representing Toucheross Company and Mr. Stanley Harris, Director of the Division of Family Services.

BILL ASSIGNMENT: Chairman Hohman called the meeting to order and made the following bill assignments:

HB 609 HOUSE BILL NO. 609 (General obligation bonds paying cost of capital improvements for University of Alaska \$40,050,000) - Degnan

HB 658 HOUSE BILL NO. 658 (Appropriating to the Department of Public Works for a first class jet airport in the Lower Yukon Delta area) - Degnan

SB 400 SENATE BILL NO. 400 (Creating an Advisory Board on Drug Abuse) - Wright

DEPT. OF HEALTH & SOCIAL SERVICES

(City of Anch.-H.S.S. CONTRACT state prisoners)

Before going into a discussion on Medicaid, Mr. McGinnis spoke briefly on a recent development which affected the department's budget. He said he had received a letter and contract from Robert Sharp, City Manager of Anchorage (see pages 606 and 607 of the minutes) regarding payment to the city from the state due to custody cost of state prisoners provided in the city jail. The contract dealt with an annual rate of \$246,000 to be paid to the city in monthly installments.

[Representative Ditman entered the meeting.]

The Commissioner said that the City of Fairbanks had taken action one year ago through the City Council to rescind city ordinances; city prisoners were then put into the state jail. The City of Anchorage left their ordinances in tact but the City Manager told the police department (through the City Council) that they were not to book individuals on city charges, but rather on state charges. No one was informed of this step until it had gone into effect. The Commissioner's response at the time of the announcement was that he would study the matter. He had discussed the problem with the Attorney General, the Governor, the Department of Administration and his own staff.

[Representative Warwick entered the meeting.]

Due to the fact that the department's Division of Corrections does not have approved appropriations for the change in policy, the Commissioner listed four alternatives in a letter to Mr. Sharp. He felt that Mr. Sharp would

probably prefer alternative No. 2 (a legislative appropriation to the Division of Corrections to contract as the City Manager had proposed). Commissioner McGinnis said that alternative No. 1 was technically possible, but doubted that the City Manager would agree to its implementation. (see page 604 of the minutes for the Commissioner's letter listing the alternatives.) Mr. McGinnis added that they were still looking for other alternatives, but felt that the four listed were the most reasonable.

In response to Chairman Hohman, the Commissioner stated that this change in policy caused an impact on the census of the state jail in Anchorage and additional expense for the department which they have had to absorb in the budget. He said he did not have the effect in a dollar amount but could check what that would be for the committee after the meeting. The Commissioner stated that Juneau and Ketchikan could follow the moves of Anchorage and Fairbanks.

Representative Hohman asked what the impact would be if a community had only a city jail and the offenders were arrested on state charges. Mr. McGinnis said there would be cost for the travel to the site, access to judges, etc.

Mr. McGinnis said that Juneau books offenders on city charges but uses the state jail; the city then pays the state. The Commissioner stated that he was afraid that the city may soon be asking why they must pay.

Representative Wright stated that he was not in favor of alternative No. 2. He said he felt that the legislature should stay out of the situation. He suggested that an acceptable answer to the problem should be worked out and then presented at the next year's session of the Legislature.

Mr. McGinnis emphasized that they were naturally concerned with caring for the prisoners first; if dollars are needed in that area they will use them readily; the result will be that money will not be available for other areas.

RECESS: The meeting recessed at 11:40 a.m.

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

POUCH H — JUNEAU 99801

May 6, 1972

Mr. Robert E. Sharp, City Manager
City of Anchorage
P. O. Box 400
Anchorage, Alaska 99501

Dear Mr. Sharp:

Your letter of May 2 with the proposed contract for \$246,000 for prisoners booked on State charges has been received. It is my understanding that the population of our State of Alaska Correctional Institution has increased dramatically since the Anchorage City Council instructed you to inform the city police to charge persons on state statutes rather than City of Anchorage ordinances where a choice existed.

Our Department's Division of Corrections does not have approved appropriations for this relatively abrupt change in policy. The FY 1973 budget does not contain funds for this purpose.

This matter will be brought to the attention of the House Finance Committee immediately. Four alternatives appear as possible routes to consider:

1. The City of Anchorage's continuation to operate and fund the City Jail using City ordinances and booking thereon where applicable. This review may be especially important in light of recent court decision which spoke to the matter which led to the original decision to book on state charges.
2. A legislative appropriation to the Division of Corrections to contract as you have proposed.
3. An action by the Attorney General instructing the District Attorneys not to prosecute on state charges where city ordinances are available to handle the applicable cases.
4. A review by this Department of all its programs, funds and services in the City of Anchorage and Greater Anchorage Area Borough and consequent reductions in other programs to make available the funds to accommodate the additional prisoner load.

Mr. Robert E. Sharp

- 2 -

May 6, 1972

You doubtless would prefer that the second alternative be used if at all possible. We shall explore this alternative. Should we not be able to secure the needed appropriation, your recommendations as to the other three alternatives, or others which may occur to you, will be welcomed.

Cordially,

Frederick M. Ginnis
Frederick McGinnis
Commissioner

FM:jmu



International
Polar air crossroads of the world

**CITY OF
ANCHORAGE**



ALASKA

POST OFFICE BOX 400
ANCHORAGE, ALASKA
99501

May 2, 1972

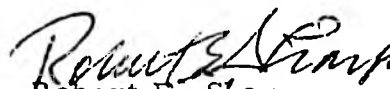
Dr. Frederick P. McGinnis
Commissioner
State Department of Health and Social Services
Pouch H
Juneau, Alaska 99801

Dear Dr. McGinnis:

The City Administration met with Mr. Adams and other members of your staff in regard to the amendment to the existing contract between the City and your Department for the custody of State prisoners provided in the City jail. The enclosed addendum to the contract carries out the results of these negotiations. The addendum provides for an annual rate of \$246,000 payable in monthly installments to provide custody for 35 State prisoners. It also provides a per diem rate for any prisoner in excess of 35 per day for whom custody is provided.

It is requested that following signature by the State that one copy be returned to the City of Anchorage for its files.

Very truly yours,


Robert E. Sharp
City Manager

RES:AFR
Enclosure

cc: Regional Administrator, Anchorage
City Attorney
Police Chief



AIRMAIL IS FASTER

ADDENDUM TO CONTRACT

THIS ADDENDUM number one entered into this _____ day of _____, 1972, by and between the DEPARTMENT OF HEALTH AND SOCIAL SERVICES, STATE OF ALASKA, hereinafter called "State" and the CITY OF ANCHORAGE, a municipal corporation organized and existing under the laws of the State of Alaska, hereinafter called "City",

W I T N E S S E T H:

WHEREAS, that certain contract between the State and the City providing for safekeeping, care and subsistence of state prisoners held under authority of state law in the Anchorage City Jail facility, and which was executed on the 1st day of July, 1970; and

WHEREAS, a certain amendment to that contract pertaining to an increase in the per diem rate to be paid to City for such services to permit City to recover its costs, and making provision for payment by State for a guaranteed daily occupancy by state prisoners has been agreed upon by the parties hereto,

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The first sentence of the fourth paragraph on page one of the aforementioned contract is hereby deleted and the following sentences substituted therefor:

"Compensation to be paid by State to City shall be \$246,000 per annum, payable in twelve equal monthly installments of \$20,500 for jail space and services provided by City under this contract. City shall additionally be compensated for state prisoners in excess of thirty-five (35) per day at the per diem rate of nineteen dollars and thirty-eight cents (\$19.38), payable to City monthly."

2. The following sentence shall be added at the end of the last paragraph on page three of the aforementioned contract:

"Adjustments to compensation and to guarantee of occupancy may be made upon thirty (30) days notice if agreeable to both parties and executed as an addendum to this contract."

WITNESS our hands and seals the day and year in this Addendum to Contract first above written.

STATE OF ALASKA
DEPARTMENT OF HEALTH
AND SOCIAL SERVICES

Commissoner

DEPARTMENT OF ADMINISTRATION

Commissioner

DIVISION OF CORRECTIONS

Director

DEPARTMENT OF LAW

APPROVED AS TO FORM:

Attorney General

CITY OF ANCHORAGE
By *Rebecca Bann*
City Manager

APPROVED AS TO FORM:

[Signature]
City Attorney

ATTEST:

[Signature]
City Clerk

AFTER RECESS

11:50 a.m.

PRESENT All members. Mr. Frederick P. McGinnis, Commissioner of the Department of Health and Social Services; Mr. Stanley Harris, Director of the Division of Family Services; and Mr. Doug Weigelt, representing Toucheross Company, were also present.

SB 56 Chairman Hohman called the meeting back to order and said they would discuss SENATE BILL NO. 56 (An Act relating to medical assistance for needy persons). He asked Mr. McGinnis to begin the discussion.

Mr. McGinnis realized that SB 56 was not presently before the Committee, but he expected it to be before them shortly. He passed out a paper entitled "Summary and Recommendations" and read through it. (See page 612 of minutes.) He also passed out some amendments for SB 56. (See pages 613 through 616.)

Mr. McGinnis said his Department had requested both the Governor and the Legislature to enact Title XIX during the 1972 legislative session if possible. The bill is presently in the Senate Health, Education, and Welfare Committee, and he believed it would be moving on this week. His department believed that the amendments in the sheets they had just gone over should be made to the bill. In general, they have suggested spelling out specifically the eligible people. They also wanted to add the exact medical services to be provided, and they felt that an implementation date might be stated as well as an effective date.

Mr. Fink asked whether the Alaska Medical Association had a position on this. Mr. McGinnis replied they had stated their position as that of withdrawing their opposition. The reason they had been so opposed before was because they thought National Health Insurance was right around the corner. It has turned out that it is still down the way a bit, and so they are no longer opposed to Medicaid.

Mr. McGinnis said there were several things they were concerned about. For example, they know that Medicaid had gotten other states into great trouble. Because of this they had secured the services of the Toucheross Company. He said this company knew more about health and social services than any other group and that it has set up medicaid programs for other states. Mr. McGinnis noted that many other states have had problems by going into all options available under the Medicaid program, but Alaska would not request anything more than the mandated options under Title XIX. There are 8 mandated services and 14 optional.

Mr. McGinnis said they also think that any addition of an optional service should be a matter determined by legislative action rather than an agency determination. They would propose to deal with that shortcoming.

Mr. McGinnis said another matter they had been concerned with was whether or not the adoption of Medicaid would effect present federal programs in the State. The Region X people had given them assurance in no uncertain terms that present programs would be maintained and strengthened. He noted there was no state with a large Indian population where Indian Health Service has not improved substantially.

Mr. Weigelt said that in the recommended medical care program they are trying to use federal matching funds and reduce state expenses. They want to maintain the current level of care with less cost to the state. The State of Alaska now pays 100% of the bills; with Medicaid there would be a 50% federal matching. Mr. McGinnis pointed out that the savings really came in when they mixed medical costs with categorical welfare costs.

Mr. McGinnis stressed they would not support anything that was not included in the present listing of the proposal.

Chairman Hohman asked Mr. McGinnis to go over the charts which had been distributed to the members at an earlier date. They show the differences between Medicare and Medicaid. The following is information found on these charts:

MEDICARE

MEDICAID

For people 65 and older

For people 65 and younger. Some states have included their needy and low income families, but primarily it is for blind, aged & disabled.

Insurance program run by the federal government

An assistance program, run by federal government and the state.

Federal program

Federal/state partnership, state's own program can be set up.

Hospital insurance, pays part but not all hospital and medical costs.

Designed to supplement more than what Medicare will pay. Medicaid will pay balance, for those who are eligible.

Works on a deductible system

Does not have a deductible feature.

Hospital insurance financed by separate payroll contributions

Financed by federal matching and state and local tax governments.

Financed by monthly programs, federal government pays half and the insured person pays half.

Federal government contributes 50% to the richest states and 83% to the state with the lowest per capita income.

Last year paid bills for about 10 million people (insurance protected about 20.2 million people). About 10% of population in U.S. have protection of Medicare.

Last year paid bills for 17 million people who were blind, aged and disabled. Since it is for people under 65, it covers more people.

Run by federal government

Run by state government within federal guidelines.

Both services improve medical service within the U.S. Medicare can be found everywhere in the U.S. since 1966, and Medicaid can be found everywhere in the U.S. except for Alaska and Arizona.

Mr. Weigelt stated that Alaska should not contract an out-of-state fiscal agent under any circumstances. Other states who had chosen to do so had had nothing but trouble. He pointed out that it was the state and not the agent which would have to take the blows. Mr. McGinnis agreed with him that the state should act as its own fiscal agent, and that they shouldn't lose control of running the program.

RECESS Meeting recessed at 1:20 p.m.

SUMMARY AND RECOMMENDATIONS

The Department of Health and Social Services has had Medicaid (Title XIX) program under consideration for Alaska since 1968. Numerous studies and reviews have been conducted on the matter. The Department now presents the following facts and recommendations:

1. Of 54 United States jurisdictions, 52 have enacted Medicaid laws and coverages for their citizens. Only Alaska and Arizona do not have Medicaid programs.
2. The Department has recently provided for the following:
 - A. A review by our Family and Children Services Division;
 - B. A review by our Administrative Services Division;
 - C. A review of an earlier Ernst and Ernst study;
 - D. A major consultant firm "objective" review by Touche Ross, Inc., a nationally prominent firm;
 - E. A series of major conferences with:

Region X Seattle personnel of the Department of Health, Education & Welfare; Mrs. Margaret Cunningham; (See Tab attachments)

Thomas Laughlin, Washington D.C., Health, Education and Welfare Department

Jonas Rose, Washington, D.C., Health, Education and Welfare Department

Dr. Emory Johnson, U. S. Public Health Service, Indian Health Service, Washington, D.C.
(See Tab attachments)

3. The current annual savings to the State of Alaska, under Medicaid, would be:

Basic Services Plus Option 1, 2, 3:

100% Native Crossover	\$3,017,901
50% Native Crossover	3,759,215
15% Native Crossover	4,270,901

4. Recommendation: That the Governor, Department of Health and Social Services and the Legislature support and seek to have enacted Title XIX Medicaid as early as possible, and, if possible, during the 1972 Legislative session.

Chapter 7. MEDICAL ASSISTANCE FOR THE FINANCIALLY NEEDY

Sec. 47.07.010 PURPOSE.

It is declared as matter of public concern that the financially needy persons of this State receive uniform and high-quality medical care, regardless of race, age, national origin, or economic standing. Accordingly, this chapter authorizes the Department of Health and Social Services to apply for participation in the national medical assistance program as provided for under Title XIX of the Federal Social Security Act. In addition, the Department is directed to take such steps as necessary to promote maximum public awareness of the availability of, and to facilitate application for, the provision of this medical assistance.

Sec. 47.07.020 ELIGIBLE PERSONS.

Any resident of the State of Alaska who is eligible to receive financial assistance under the Adult (APA) or Children's (AFDC) programs is to be also considered eligible to receive medical assistance under Title XIX. Receipt of medical assistance is deemed to be an incremental benefit to these individuals and shall not affect any payments for which the recipient is eligible.

Sec. 47.07.030 MEDICAL SERVICES TO BE PROVIDED.

Medical services to be offered to eligible persons shall include:

1. Inpatient hospital services.
2. Outpatient hospital services

3. Laboratory services
4. Skilled Nursing home services
5. Physicians services
6. Home health care services
7. Diagnostic medical screening services to include dental services for children under six years of age.
8. Reasonable transportation services to and from the point of medical care.

It is recognized that additional medical services are allowed under Title XIX and may in the future be desirable for the financially needy citizens of Alaska. Accordingly, this section may be changed by action of the Legislature.

*POSSIBLE TO GIVE AGENCY OPTION TO INCREASE SERVICES IF COST DOES NOT EXCEED EXPENDITURES UNDER G.R.

Sec. 47.07.040 STATE PLAN FOR PROVISION OF MEDICAL ASSISTANCE UNDER TITLE XIX

The Department shall prepare a State Plan in accordance to the provisions of Title XIX and submit it for approval to the U. S. Department of Health, Education, and Welfare. The plan shall designate that the Alaska Department of Health and Social Services is the single State agency to supervise the administration of this plan. The Department shall act for the State in any negotiations relative to the submission and approval of the plan and may make those arrangements, not inconsistent with law, as may be required by or pursuant to federal law to obtain and retain approval of the U. S. Department of Health, Education, and Welfare to secure for the State the provisions of Title XIX of the Federal

Social Security Act.

Sec. 47.07.050 IMPLEMENTATION OF THE MEDICAL ASSISTANCE PROGRAM.

The Department shall take such steps necessary to make those rules and regulations, prepare necessary documentation for the State and providers and undertake such systems design as may be necessary to implement the provisions of this chapter by 1 September 1972.

Implementation of the medical assistance program shall include appropriate controls and reporting capabilities as required by the U. S. Department of Health, Education, and Welfare, and shall make those necessary reports as required by that federal agency or requested by the Alaska State Legislature.

Sec. 47.07.060 RECEIPT OF FEDERAL MONIES.

The Department of Administration shall accept and receive any and all grants of money awarded to the State under Title XIX of the Federal Social Security Act. All money so received shall be deposited by the Department of Administration in a special account of the State Treasurer and shall be used by the State exclusively for medical assistance and the administration of medical assistance under the provisions of this chapter.

All money shall be paid from the special account on a certified disbursement voucher from the Department of _____.

Sec. 47.07.070 DEFINITIONS.

DEPARTMENT: Department of Health and Social Services.

GENERAL QUESTIONS:

1. Do organizational changes or additions need to be reflected in statute.
2. Do we want to mention basis for reimbursement. If so, should be 47.07.040.
3. If appropriations bill passed first, can special section 47.07.051 be added to authorize expenditures, hiring, etc.
4. Appropriations bill should include implementation costs equal to consulting fee @ 90% match.

AFTER RECESS

1:55 p.m.

PRESENT: All members.

Chairman Hohman called the meeting to order. The considered several bills.

HCR 21 It was moved and unanimous consent asked that HOUSE CONCURRENT RESOLUTION NO. 21 (Relating to the establishment of a graduate school at the University of Alaska) be passed from committee. The motion failed unanimously.

HCR 22 The committee then considered HOUSE CONCURRENT RESOLUTION NO. 22 (Relating to the research institutes of the University of Alaska). Mr. Fink said this proposal should not cost any money. Representative Hohman then read a position paper by Dr. Rae of the University of Alaska. Mr. Ditman moved that the resolution be passed from committee. The motion failed 5 to 2.

HCR 24 The committee then considered HOUSE CONCURRENT RESOLUTION NO. 24 (Relating to the location of the central office of the University of Alaska). It was moved and unanimous consent asked that HCR 24 be passed from committee. The motion failed 6 to 1.

HCR 25 The committee then considered HOUSE CONCURRENT RESOLUTION NO. 25 (Relating to a study of vocational education in Alaska). It was moved and unanimous consent asked that HCR 25 be passed from committee. The motion failed 6 to 1.

HCR 26 The committee then considered HOUSE CONCURRENT RESOLUTION NO. 26 (Relating to a study of the future needs and priorities of the University of Alaska). It was moved and unanimous consent asked that HCR 26 be passed from committee. The motion failed 6 to 1.

SB 229 The committee then considered SENATE BILL NO. 229 (An Act establishing the Alaska Historical Commission). Representative Fink stated that an amendment to the bill must be made. The following amendments were made:

Page 2, Lines 21 & 22: After "EXECUTIVE DIRECTOR" delete the first sentence and substitute the following sentence: "The commission shall appoint, subject to approval by the governor, an executive director who shall be a member of the exempt service

as set out in AS 39.25.110."

Page 2, Line 25: Delete the word "commission" and substitute the word "governor".

Representative Fink then moved and asked unanimous consent that SB 229 as amended be passed from committee with a "do pass". SB 229(am) passed from committee with 6 "do pass" recommendations and 1 "no recommendation".

- SB 104 (am) SENATE BILL NO. 104(am)(An act relating to geological and geophysical surveys and providing for an effective date) was then considered by the committee. Mr. Warwick moved that the effective date be changed to read July 1, 1972 and asked unanimous consent that the bill then be passed from committee with a "do pass" recommendation. No objection, so ordered.
- SB 275 SENATE BILL NO. 275 (An Act relating to the tax levy on cigarettes and providing for an effective date) was then considered by the committee. It was moved and unanimous consent asked that SB 275 be passed from committee. The motion failed 5 to 2.
- SB 385 The committee then considered SENATE BILL 385 (An act relating to the investment of surplus retirement fund money and providing for an effective date). Representative Hohman moved that SB 385 be passed from committee with a unanimous "do pass" recommendation. The motion carried with four "do pass" and three "no recommendations".
- HB 580 The committee then considered HOUSE BILL NO. 580 (An act establishing a council of economic advisors in the office of the governor and providing for an effective date). Representative Fink moved and asked unanimous consent that HB 580 be passed from committee. The motion failed 4 to 3.
- HB 699 HOUSE BILL NO. 699 was then considered by the committee. (HB 699 - An act relating to the practices of barbering). Representative Hohman moved and asked unanimous consent that HB 699 be passed from committee with a "do pass" recommendation. No objection, so ordered.
- HB 733 The committee then considered HOUSE BILL NO. 733 (An act establishing a self-insurance fund providing for its administration; and providing for an effective date). It was decided that Commissioner Henri should speak to the committee on the bill the following day before any committee action was taken.

HB 777

HOUSE BILL NO. 777 (An act relating to foundation program support to special education; and providing for an effective date) was then considered by the committee. Representative Wrighttthen requested that the committee obtain a fiscal note on the bill before taking any action. Chairman Hohman requested that Nathaniel Cole of the Department of Education appear before the committee the following day to discuss the fiscal impact of HOUSE BILL NO. 777.

HB 792

HOUSE BILL NO. 792 was then considered (An act relating to leave for state employees; and providing for an effective date). Representative Hohman stated that there would be no additional cost to implement the program. He then moved and asked unanimous consent that HB 792 be passed from committee with a "do pass" recommendation. HB 792 passed from committee with five "do pass" and two "no recommendation".

HB 815

HOUSE BILL NO. 815 (An act appropriating to the department of Law for a special study of a limited entry fishery; and providing for an effective date) was then considered by the committee. The bill was returned to file due to a constitutional question.

ADJOURNMENT: The meeting adjourned at 3:00 p.m.

HOUSE FINANCE COMMITTEE

May 8, 1972

9:40 a.m.

PRESENT: All members with the exception of Representative Degan. Joseph Henri, Commissioner of the Department of Administration was also present.

HB 733 Chairman Hohman called the meeting to order. The subject of discussion was HOUSE BILL NO. 733 (An act establishing a self-insurance fund, providing for its administration; and providing for an effective date).

Commissioner Henri said the bill would allow the establishment of an insurance fund. He stated that a risk management audit was done by Warren McVeigh and Company of San Francisco (the Commissioner gave a copy of the report to the committee). Mr. Henri explained that no one in state government is devoting time to insurance research or backup on what their local carriers and agents (McLean & Shattuck agencies) are doing. He stated that one state employee in the Divisions of Supply spends 1/4 of her time on insurance matters.

The Commissioner said the purpose of the bill was to save money, get better coverage, and reduce the losses through self-insurance. He stated that they have not paid any attention to loss abatement. Mr. Henri said the insurance fees they have been paying on the ferry fleet are 11% of the premium which is \$1 million. He said that this year, it will be down to \$27,000. The Commissioner stated that they can self-insure up to a certain extent now, and the Legislature gives \$3 million now for insurance premiums; that money is in this year's budget. Mr. Henri said that instead of paying a carrier, they could take the money and get into self-insurance.

Representative Fink asked if the study specifically recommended getting into self-insurance. Mr. Henri said yes. Mr. Fink then asked what fields they would be getting into. Mr. Henri said they would start in Workmen's Compensation and Liability. The standard would declare how much of a loss they can absorb. He said there would be a certain amount of income to pay for the losses.

Mr. Fink asked if there were any other states of Alaska's size which are under the self-insurance plan. Mr. Henri said yes, but did not know how many or the names of the states.

Commissioner Henri passed out charts to the committee members (See page 622 of the minutes) showing Schedule IV of Workmen's Compensation and Liability Experience over a five year period.

Commissioner Henri said they would hire the same people who are doing the work now in Alaska Pacific Assurance Company.

Mr. Henri stated that the liability coverage for airports should be greater, and their federal bond situation is very poor; so they could make use of the savings of self-insurance.

Mr. Fink pointed out that if the experience insurance carriers are losing money even without overhead, how can the state possibly do a better job? Mr. Henri said that part of that problem stems from the fact that there have been too many carriers, and they are not too interested in state insurance.

Representative Warwick asked what other areas the state planned to take over. Mr. Henri said general liability and the automobile area. He said they cannot get into airport coverage at this time. He said they hope to get into ferries, police officers eventually, and on buildings, they plan to adjust their coverage.

Mr. Henri said they would plan to use Mr. John Hale's staff for their work; Representative Fink said that Alaska Pacific Assurance Company does not have enough depth to handle the state. Mr. Henri said he had discussed the matter with Mr. Hale.

Commissioner Henri told the committee that there were some questions he could not answer, and then offered to contact Mr. McVeigh in San Francisco and have him speak to the committee personally. Chairman Hohman then asked if the committee's questions would be answered by the report's information. Mr. Henri said yes.

Mr. Henri stated that if their plan for self-insurance does not work, they do not have to go on with the program.

He stated that in order to save money they must reduce their losses; therefore, they would like to absorb some of the losses themselves using money they already have. The addition of a risk manager will be able to pin down what losses they have reduced.

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

SCHEDULE IV

WORKMEN'S COMPENSATION AND LIABILITY EXPERIENCE

<u>POLICY PERIOD</u>	<u>EARNED PREMIUM</u>	<u>INCURRED LOSSES</u>	<u>LOSS RATIO</u>	<u>NUMBER OF CLAIMS</u>
<u>Workmen's Compensation</u>				
8/1/66 to 7/1/67	\$ 277,737	\$ 167,644	60.0%	399
7/1/67 to 7/1/68	279,992	247,273	88.9	367
7/1/68 to 2/17/69	183,100	369,036	201.5	397
2/17/69 to 7/1/70	811,931	340,598	41.9	724
7/1/70 to 7/1/71	440,392	430,710	97.8	549
	<u>\$1,993,152.</u>	<u>\$1,555,261</u>	<u>77.8%</u>	<u>2,385</u>
<u>General Liability</u>				
8/1/66 to 7/1/67	\$ 35,684	845,257	2369.0%	46
7/1/67 to 7/1/68	69,282	85,396	123.2	17
7/1/68 to 2/17/69	44,352	76,807	173.1	47
2/17/69 to 7/1/70	132,142	186,657	141.3	25*
7/1/70 to 7/1/71	124,955	106,789	85.4	20
	<u>\$ 406,415</u>	<u>\$1,300,906</u>	<u>320.1%</u>	<u>155</u>
<u>Auto Liability</u>				
8/1/66 to 7/1/67	\$ 66,557	\$ 13,875	20.8%	38
7/1/67 to 7/1/68	55,907	50,390	90.1	63
7/1/68 to 2/17/69	39,997	26,821	67.0	46
2/17/69 to 7/1/70	142,218	36,286	25.5	100*
7/1/70 to 7/1/71	309,579	168,547	54.4	108
	<u>\$ 614,258</u>	<u>\$ 295,919</u>	<u>48.1%</u>	<u>355</u>
*Estimated - combined auto and general liability claims totaled 125				
<u>Combined General and Auto Liability</u>				
8/1/66 to 7/1/67	\$ 102,241	\$ 859,132	840.3%	84
7/1/67 to 7/1/68	125,189	135,786	108.5	80
7/1/68 to 2/17/69	84,349	103,628	122.8	93
2/17/69 to 7/1/70	274,360	222,943	81.2	125
7/1/70 to 7/1/71	434,534	275,336	63.3	128
	<u>\$1,020,673</u>	<u>\$1,596,825</u>	<u>156.4%</u>	<u>510</u>
<u>Combined Workmen's Compensation & Liability</u>				
8/1/66 to 7/1/67	\$ 379,978	\$1,026,776	270.2%	423
7/1/67 to 7/1/68	405,181	383,059	94.5	456
7/1/68 to 2/17/69	267,449	472,664	176.7	490
2/17/69 to 7/1/70	1,086,291	563,541	51.8	849
7/1/70 to 7/1/71	874,926	706,046	80.6	677
	<u>\$3,013,925</u>	<u>\$3,152,086</u>	<u>104.5%</u>	<u>2,895</u>
7/1/68 to 7/1/71	<u>\$2,228,666</u>	<u>\$1,742,251</u>	<u>78.1%</u>	<u>2,016</u>

WARREN, MCVEIGH & ASSOCIATES

AFTER RECESS

May 8, 1972

4:10 p.m.

PRESENT: All members. Also present were Representative Chance and Mr. Nathaniel Cole of the Department of Education. Chairman Hohman called the meeting back to order.

HB777 Mr. Nathaniel Cole, Department of Education, came before the committee to explain the fiscal impact of HOUSE BILL NO. 777 (An Act relating to foundation programsupport to special education; and providing for an effective date).

Mr. Cole said the main purpose of HB 777 is to get the special education student into regular classrooms. He stated that the Department of Education is serving the "hardcore" special education children throughout the state who are set aside for an entire day and are isolated from regular programs. He said that HB 777 suggests that there are many types of handicapped children who don't need full day services. The bill would let schools provide some portion of the day to special services for that child or the child's family.

Mr. Cole said that most people working in the special education field feel that the state has not recognized or identified special needs of handicapped children. Presently the state is serving 1/3 of those special education students. He said the children must be classified in four different levels, and those with the greatest degree of handicap would spend more time in the special education setting; those who were more trainable and educable would have less special training and would spend more time in the regular classroom situation. The amounts of time spent with the children could range from one or two periods per day to full-time special education. Mr. Cole said that some of the special education could be in the form of counseling at home, with parents as well as the children.

Representative Chance stated that there were certain disabilities where a low Pupil-Teacher-Ratio was needed; she said that a larger PTR with a slow pace of teaching would help some children, whereas the profoundly deaf student situation would required a small PTR. Representative Chance said that just one year's experience was needed to prove the program; then it could be re-evaluated, and the breakdown could be done even further.

Mr. Cole spoke briefly on the different level classifications of special education students (see pages 625-629 of the bill minutes).

Mr. Cole said it is difficult to estimate the financial implications of the bill due to the poor identification in classifying the students. He stated that he had met with representatives from Fairbanks, Ketchikan, Anchorage and Juneau; they determined that under a relaxed situation over a three year period, they would have a 30 per cent increase in the number of special education students and there would be a 10 per cent increase in cost for the first year which would come to a \$500,000 amount. He said the total program of special education now is \$5 million.

Mr. Cole said that if the HB 777 approach is taken, there will be more students and more types of handicaps served; this will obviously mean more money.

Mr. Cole said they were asking for the opportunity to work with the school districts to provide the best opportunity for the children. Representative Fink pointed out that all these things could be done now. Mr. Cole said it was possible, but they are not being done because special education classification is too general. There are some students who need just one or two periods per day on speaking difficulties or hearing disabilities, but those students are not provided for at all. He said there were other students who did not fall under the full-time special education need but who were isolated, and receiving a full day's worth of training which was not necessary.

Representative Wright asked if this program would include those students who have learning disabilities. Mr. Cole said yes.

Representative Chance said one of the advantages to the student of putting a child in a regular classroom situation for part of the day was that it helped remove the stigma of being handicapped. Their learning process actually becomes advanced in that setting.

BILL ASSIGN-
MENT:

There being no further discussion, Mr. Cole and Representative Chance left the meeting.

HB 506

The following bill assignments were made: HB 506 (Supplemental appropriation to Alaska Educational Broadcasting Commission) - Hohman. HB 577 (GOB - Sea-grant marine research building at Seward \$7,000,000) - Haugen.

HB 577

RECESS:

The meeting recessed at 4:55 p.m.

Public School Foundation Program

Special education program approval and subsequent special education foundation funding will be dependent upon two major considerations:

1. Annual Plan of Services, Exceptional Children (Form 05-202-24):

Particular attention should be paid to these sections of the narrative portion of the Annual Plan of Services:

- a. A statement outlining the criteria and procedures used to screen identity, diagnose and place exceptional children.
- b. A statement of philosophy about the education of exceptional children with indication of acceptance of this philosophy by the local school board.
- c. A statement indicating the scope and sequence of placement options available or planned for identified population of exceptional children.
- d. A description of the methods or procedures used to evaluate the success of existing or anticipated programs of special education.
- e. Commentary on the nature of organizational and administrative problems at the local level and ways of eliminating or reducing such problems.
- f. Description of the kinds of help, support and guidance which are needed by the district to initiate, strengthen and evaluate programs for exceptional children.
- g. The Annual Plan of Services should completely describe services in all categorical programs for example, speech therapy, deaf and hearing impaired, trainable mentally retarded. Integrated resource support programs for exceptional children should also be described in detail.

2. Full Time Equivalencies (FTE): This will be determined by levels of services offered exceptional children. (See figure one)

Level 1: Level 1 will include those exceptional children in need of minimal special education programming. Programs might include services

to mildly speech handicapped youngsters or remedial reading instruction to mildly handicapped exceptional children. In all cases service delivery systems will be integrated resource support programs.

Program Responsibility

The exceptional child remains in the classroom all day. The regular teacher has full responsibility for the child but receives assistance from special education resource personnel.

Level 2: In addition to regular classroom instruction from one fourth to one half of this child's educational program must be of a special services nature. The instruction or therapy could consist of several different sessions with different specialists, or the time could be spent in a self-contained special education resource support room. Examples of services provided at this level would be more intensive speech therapy, intensive remedial reading, braille, or adaptations in certain basic skill subjects.

Program Responsibility

The exceptional child maybe removed from the regular classroom for brief periods of resource support or receive extra assistance from a special teacher within the regular classroom. The regular teacher has the primary responsibility for the child. The special teacher has the responsibility for specific special programs.

Level 3: Level 3 children would be those who can profitably receive in addition to the regular educational program between one half to three-fourths "special" supportive instruction.

Program Responsibility

The exceptional child receives special services for a majority of the day and is the shared responsibility of the special and regular teacher.

Level 4: Children at Level 4 would be those who are so severely educationally handicapped that they must receive intense special education programming. The most severely handicapped children at this level might spend the entire school day in special education classes. This level would apply to children in special education classes in the regular schools and also to those who attend special service centers. This level also includes hospitalized and homebound children.

Integrated resource programming at Level 4 must include an intensive visible level of support for both the exceptional child and the regular class teacher. Pupil-teacher ratio at this level must be kept within a range of 5 to 15 pupils to one professional special educator. Resource support specialist should work with no more than 3 to 7 regular classroom teachers. A ceiling of perhaps twenty-five children must be established for the enrollment in regular classes which contain special students. To keep any single class from becoming a "catch-all" for handicapped children and to maintain the characteristics of a regular class, a limit must be placed upon the number of handicapped children assigned to any one room under a resource support program. The number of special children in the class must be adjusted according to the needs of the handicapped children assigned to the class and the availability of assistance for the teacher. Special education teachers at this level should offer evidence of diagnostic prescriptive educational monitoring.

Program Responsibility

The exceptional child receives intensive specialized services. The special education teacher has full responsibility for the exceptional child.

Levels of Service Figure One

Level Four:

(100%) full state support.

Level Three:

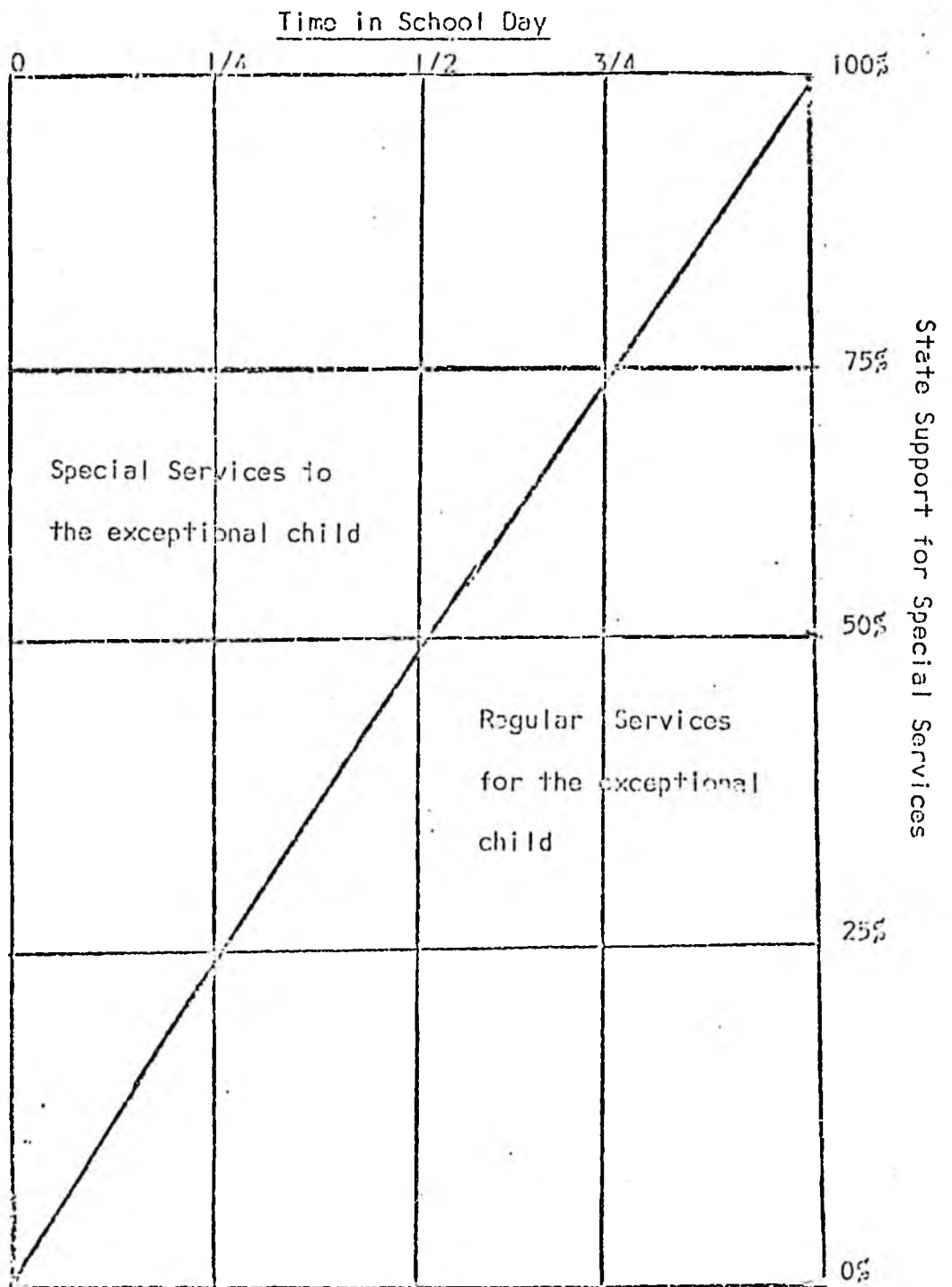
(75%) three quarters state support

Level Two:

(50%) one half state support

Level One:

(25%) one quarter state support



Special Services Foundation Computation

Special education schedule:

ADM	No. Instructional Units
<u>Full-Time Equivalent</u>	
5-8	1
9-15	2
16-23	3
24-32	4
33 and over	4 plus 1 for each 9 pupils or fraction of <u>9</u> <u>pupils in ADM</u>

Each exceptional child placed at level four will be considered full time

(1) FTE.

Each exceptional child placed at level three will be counted as three-fourths

(.75) FTE.

Each exceptional child placed at level two will be counted as one half (.50)

FTE.

Each exceptional child placed at level one will be counted as one fourth

(.25) FTE.

Example of FTE Special Services Computation

1500 total enrollment	1395 regular pupils = 76 instructional units
40 level four full FTE = 40	105 Special Service = 12 instructional units
20 level three 3/4 FTE = 15	pupils FTE
50 level two 1/2 FTE = 25	
100 level one 1/4 FTE = 25	
<u>Total Special Services FTE = 105</u>	

HOUSE FINANCE COMMITTEE

May 12, 1972

8:45 a.m.

All members with the exception of Representative Wright. Also present were Representatives Banfield and Barber. Howard Warren of Medical Administration Services, Veterans Administration, Washington D.C., Mr. Joe McNalley of the hospitalization and medical care for veterans in the State of Alaska, Veterans Administration in Juneau, and Mr. Stan Harris, Department of Health and Social Services, Director of the Division of Family and Childrens Services, were also present.

Chairman Hohman called the meeting to order; the subject of discussion related to problems of providing homes for older people.

Mr. Howard Warren stated that he was the liaison representative between the Veterans Administration and state veterans' homes throughout the country. He referred to a diagram on the black-board showing the following projected veteran population:

	<u>1975</u>	<u>1980</u>
Nationwide	29,176,000	27,000,000
Alaska	30,000	30,000
(Over 65)		
Nationwide	2,214,000	7,000,000
Alaska	1,000	3,000

Mr. Warren explained that in 1965 Congress passed legislation which provided nursing home care for veterans through three sources: 1) Nursing care within the hospital system. There are 6,000 beds in operation throughout the United States in 75 hospitals; 2) Contract nursing homes. There are 3,000 nursing care beds under contract, and there is a 6 month limitation. Mr. Warren said that they had 233 beds in Alaska under contract; 3) State veteran homes, where the states are paid a per diem allowance for care of the veterans. He stated that there were 31 states with a total of 37 state veteran homes which provide care to 10,000 veterans daily: 6,000 are in residential care, 3,000 in nursing homes, and 1,000 in hospitals.

Mr. Warren said that the Veterans Administration helps the states to construct nursing home facilities for veterans on a matching

basis. The facility must then be operated for 20 years; 51 per cent of those patients must be veterans. Mr. Warren said Congress had been generous to this program, and three months ago, Veterans Administration had \$13 million of unused construction funds. He said they have not been using all their appropriations to build facilities, therefore there are funds available and ready to be committed to states as they make their formal applications.

Mr. Warren said the cost of nursing home care is \$15 to \$16 a day. Many homes operate with 1/3 of the cost care coming from federal government, 1/3 from the veteran's income, and 1/3 from state appropriations. Mr. Warren stated that there is matching money for construction and \$5 per day for each veteran cared for after construction is completed. A state veteran home is established and operated by the state, and the state determines who can be admitted. Each veteran's application is sent to the nearest Veterans Administration office, and if the man is eligible, they establish a date on which they base their payments. The care of the man is up to the state. If they establish a home and the veteran becomes ill and requires hospitalization, he would be sent to the nearest veterans' hospital; in Alaska however, he would be sent to a private hospital and Veterans Administration would pay the entire cost.

In response to Representative Warwick, Mr. Warren said that if a nursing care facility were an ASHA building, there would be no problem. Mr. Warren said that Veterans Administration will pay 50 per cent of the cost of a new wing on already constructed facilities, and they do require certain standards of sizes of rooms.

Mr. Warren explained that if the state constructs a building with matching money, 90 per cent of the beds must be used by veterans for 20 years.

Mr. Warren's proposal for Alaska was to add a wing to the Palmer pioneers' home. He said the people in the pioneers' homes should be "inventoried" to see how many are veterans. Those applicable would be pulled from the three locations in the state and placed in the Palmer facility. He added that a structure can be set up in just two or three months.

Mr. Warren said that most states require that an eligible veteran be a resident of the state from three to five years before admission.

Representative Warwick stated that it was hoped to have a nursing home facility underway sometime this year: the intention is to expand the home in Fairbanks, build a new home in Anchorage and

facilities in rural areas. Mr. Warwick stated that if a wing was added to the home in Palmer, he doubted that many people would want to be relocated there; they would prefer to stay in their own region in the state. Mr. Warren said that problem was quite common.

Mr. McNalley stated that of the three homes in Alaska surveyed, 26 per cent were veterans.

Chairman Hohman asked what steps were necessary to participate in this program. Mr. Warren said that the Attorney General would be able to provide all information concerning the program. Mr. Hohman asked if Alaskan law would have to be changed; Mr. Warren said it probably would as in most states. Mr. Hohman then asked if any federal agency was involved along with the Attorney General. Mr. Warren stated that the program takes authority and examination of state records. He said a bill should be drafted of what the state would want, then submit the document to Veterans Administration to get a preliminary decision before enactment. Mr. Warren added that he felt that any homes constructed should be in the Anchorage area although the state could put the homes in any region.

Mr. Warren offered to send committee members copies of legislation taken by other states in setting up homes.

Representative Banfield asked how wives of veterans can be accommodated in such facilities. Mr. Warren said that the wife can go with the husband. He explained that the requirement of 90 per cent of people in the veteran wing being veterans simply applied to 90 per cent of how many beds were being used.

Mr. Warren then read the amounts for different types of care: residential care - \$3.50 per day; nursing home care - \$5.00 per day. He added that if (for example) in 10 years, the state wishes to remodel the new wing or change the concept from a residential care situation to a nursing home care concept, Veterans Administration can help the state renovate the building. He added that if there were any surplus state buildings in bad shape, the state could set them up as veteran homes, renovate them and receive matching money.

In answer to Representative Ditman, Mr. Warren said that they can pay just 50 per cent of the cost of a new wing, and the wing must be established primarily for care of veterans. Mr. J. Hogan asked if there was a limitation in Alaska for beds. Mr. Warren said that the figure of 42 beds is based on the census bureau information as of December 30, 1971. He said that in 1973, that figure may be changed to 43 to 44 beds.

Mr. Warren stated that it was a more efficient plan to separate the veteran facilities (such as having a separate wing of a building) from all others; this facilitates the establishment of costs and operation.

Representative Barber stated that he had spoken previously with Mr. Warren when Mr. Barber had asked if one floor (rather than a total wing of the building) could house all veterans. Mr. Warren had said that the procedure had no precedent and doubted that it could be done.

Mr. Harris asked if it was possible to collect on Medicaid in this program. Mr. Warren said there may be trouble with Medicaid and Medicare.

Representative Hohman then asked if the homes would have to be administered by the state, or could they be run by a city or borough. Mr. Warren said they are state operated. He added that the state would have an appropriation in its budget for the operation of homes; they would set up a commission to maintain supervision and would appoint a manager; then they can contract with the rest of the pioneer homes to run it.

In response to Mr. Hohman, Mr. Warren stated that to be a qualified veteran, he must have been in the war to receive payment. He then passed out a report published by the National Association of State Veterans' Homes. He stated that there is a bill in Congress now which would increase matching money by 65 per cent federal participation and would change the other rates from \$3.50 to \$4.50 and from \$5.00 to \$6.00 per day.

Mr. Hohman asked how small a nursing home can be and still qualify. Mr. Warren said there were no minimum standards. He stated that if a wing for an already constructed building is used, it is more economical for 50 to 60 beds rather than 40 beds.

Representative Wright and Mr. Warren briefly discussed the favorability of Title 4 support. Mr. Hohman then pointed out that the Hill Burton construction requires local-state matching. Mr. Warren stated that the local amount was 30 per cent, state - 30 per cent, and Hill Burton - 40 per cent.

Representative Wright said that a block grant could be given to a community which was "down" financially.

[Representatives Barber and Banfield left the meeting.]

Mr. Warren pointed out that if Veterans Administration participates in construction and puts up 1/2 of the money, they do not care where the remaining 1/2 comes from; they just want to know that the

money is available.

Mr. Warren requested that he be able to speak with someone during the day in order to explain the program more thoroughly and in complete detail. Chairman Hohman suggested that Mr. Howard Bradshaw or Mr. Tom O'Donnell be contacted.

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

HOUSE FINANCE COMMITTEE

May 13, 1972

9:45 a.m.

PRESENT: All members with the exception of Representative Fink.
Representative Rose was also present.

CSHB 480 Chairman Hohman called the meeting to order. The subject of discussion was CSHB 480 (An Act establishing the Office of Administrative Adjudication).

Representative Rose stated that hearing officers must be put under a separate "roof" of the Judiciary, rather than hired by different agencies. This move will result in the independence of the hearing officer without pressure from the agencies themselves. The officer will tend to be more impartial if independent. The bill also prevents a high cost of hiring lawyers who are paid at an hourly rate and who may also have little experience. Mr. Rose said that there will be no new personnel hired; those already appointed will simply be shifted over to come under the administrative roof of the Judiciary.

Mr. Rose stressed the importance of having someone who could develop expertise in administrative law, which would also prove to be less costly if on the payroll year-round, rather than taking a lawyer from private practice.

Mr. Rose said that hearing officers are now appointed by the Governor in theory, but in practice by the Attorney General. The Attorney General is frequently a party in any hearing action, and therefore one of the participants in the trial is hiring the judge.

Representative Rose said it would be worthwhile to have a corps of hearing officers: one or two for the Transportation Commission, one for the Public Utilities Commission, and one or two for hearing the cases of other agencies.

Representative Ditman then referred to the fiscal note in the bill file with the attached requests for new positions consisting of one Director of Adjudication, six Hearing Officers, four Secretary III's, three Secretary II's, one Court Transcriber, one Accountant II, and one electronic technician. Mr. Ditman asked how these requests fit in with Mr. Rose's statement that there would be no additional cost in personnel, just a shifting over of the same staff from under the agency to Judiciary. Mr. Rose said he had not seen the position requests but stated that there would be no additional bodies created and therefore no additional money needed.

Representative Warwick pointed out that if an attorney did not have the expertise in a specific area, someone else would have to be hired. Representative Rose said this would be an unusual situation, but the bill does provide for the hiring of a special type of person if needed.

Representative Hohman stated that taking care of the increased volume of cases would probably result in the hiring of more people. Mr. Rose stated that would happen only if a lawyer in private practice was hired.

Representative Rose stated that six years ago the Bar Association created the Administrative Law Committee, and although the members have changed, this bill has been a continuous unanimous recommendation of that committee.

Representative Rose urged the passage of this bill. He then left the meeting.

Chairman Hohman moved and asked unanimous consent that CSHB 480 pass from committee with a "no recommendation" vote. No objection, so ordered.

SB 126 The committee then considered SENATE BILL NO. 126 (an Act relating to the professional Teaching Practices Act). Mr. Hohman moved and asked unanimous consent that SB 126 pass from committee with a do pass recommendation. No objection, so ordered. Mr. Hohman directed the staff to show that it is legislative intent that the committee in reporting back this bill feels that any increase in appropriations required to fund the program be covered by an increase in fees for teacher certification. The fiscal information supporting the bill indicated that a \$25 per year increase in the cost of teacher certification will be required to offset the increased costs of the program.

SB 236 Mr. Michael Kirk, a math teacher at the Juneau-Douglas High School, spoke on SENATE BILL NO. 236 (food service and nutrition program for children; state participation in federal program). Mr. Kirk distributed materials on this bill and a prepared statement (see bill file). The committee briefly discussed this.

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

AFTER RECESS

3:50 p.m.

Present: All members except Mr. Fink.

HB 814 Chairman Hohman called the meeting to order and the committee considered HOUSE BILL NO. 814 (Appropriating to the University of Alaska). Mr. Wright proposed a committee substitute that would appropriate the following:

- (1) Capital project costs
 - (A) \$650,000 to purchase the Northern Commercial property;
 - (B) \$100,000 to renovate structures on the Northern Commercial property;
- (2) Operating costs - \$58,000 to fund the Sheldon Jackson-University of Alaska consortium.

Mr. Hohman moved and asked unanimous consent that a committee substitute be prepared with the above and that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 814 pass from committee with a do pass recommendation. No objection, so ordered.

HB 588 The committee then considered HOUSE BILL NO. 588 (coverage of correctional officers under Public Employees Retirement System). This bill had been voted on May 1, but had been held in committee pending further information. Mr. Hogan reviewed the information that had been forwarded to the committee (see bill file). The committee decided to forward the bill to the Chief Clerk. The date on the committee report was changed but the vote remained the same.

Adjourn: The committee adjourned at 4:10 p.m.

HOUSE FINANCE COMMITTEE

May 15, 1972

8:45 a.m.

PRESENT All members except Mr. Degnan. Mr. Tom Smythe and Mr. Ron Sheardown were also present representing Pan Central Exploration.

Lost River Townsite Chairman Hohman called the meeting to order and said that the purpose was to discuss the Lost River Project and the proposed location of a town there.

(bond bill

or water
and Har-
bor Pro-
jects)

Mr. Sheardown stated they have been working on oar deposits for three years at a location 80 miles northwest of Nome. He said they had a 20 year minimum oar life, which they consider sufficient reserve for making production. They are still clearing up some of the loose ends and are now doing a lot of testing. They are quite satisfied with the extractions. They have done considerable feasibility studies on shipping, harbor construction, and most other things except the townsite, where they have only done preliminary soil tests. They are planning to leave the facilities in the public sector. The Company would only be using the major harbor 3 or 4 days out of the month. They don't feel that the harbor should be left empty for the other 27 days, but feel that it should be developed to the maximum by any other industry that might be around, or simply for local freight. For example, shipping could be cut considerably if they had two-way haul. The average now is \$130 to \$140 delivered on shore. They feel it could be cut to \$54 minimum freight from Seattle. They may be able to reduce it down again as low as \$39.50 depending on what assistance they get in the area. He explained that the mineral deposits would become economic by leaving the facilities in the public sector.

Mr. Hohman asked if the harbor would be protected at all, and Mr. Sheardown said it would be protected with an iron break wall. He said that the particular consultants being used are quite experienced and very capable in the harbor design business.

Mr. Hohman asked if there was anyone living close to the Lost River townsite now. Mr. Sheardown said that the closest town was 19 miles east; there was another town 25 miles to the west; and another 29 miles to the north.

Mr. Sheardown went on to explain that they were planning to work out on-the-job training for local people. He said it would be expensive to bring in transient type workers and they wouldn't want to loose all of the training time.

Mr. Sheardown said they would leave the members with information from the U.S. Geological Survey describing what mines do to remote areas and what gets involved.

Mr. Smythe stated that he was a planner, and this was one of the studies he had been working on. In taking a look at the area, he must have gone through every old study written on the entire area. He went through all of the businesses--oar, arts and crafts, and tourism, and came to the conclusion that there was only one thing that could conceivably employ at a decent level of living. In order to employ people at a decent rate to get development in that area, they would have to get into minerals. He said there was much mineral development in the area. One of the principle concerns was how to get the minerals out. Probably the thing most conducive to getting mineral development initiated in the state would be one on-going operation that proved successful and was well established. He explained that one of his concerns was getting a state-industry operation going as initial development.

He said that in essence what they were talking about was state-federal sharing and state-industry sharing. He explained that the dock facility could be either a single purpose oar dock or it could be, in every sense, a regional dock for the whole area. He pointed out that the whole northwest region remains without a dock. He said that as much as 55% could be saved in shipping costs by utilizing backhaul. Mr. Smythe said there would be a drastic increase in retail and wholesale trade. He said that looking long-range at this one development, he felt it was really a chance for the state.

He summed up that what they wanted was for the state to participate in the dock construction financially. He said the total structure was estimated at \$20 million, and they are looking for 50% state participation.

Mr. Sheardown explained that they wouldn't need the money until late next year or early the following year. He said that a dock facility exclusively for mining would only cost \$8 million +, but that an all-purpose facility would be about \$20 million.

Mr. Wright asked where the other \$10 million was to come from, and Mr. Smythe said from the federal government. He said the company would be quite willing to enter into a long-term contract. He pointed out that if the dock was used as an all-purpose facility, it would be adding something in the order of \$3-\$4-\$5 million a year regionally.

Mr. Hohman asked how large a town they were planning. Mr. Smythe said it would be approximately 1500 people. Mr. Hohman then asked about the payroll. Mr. Smythe said they expected to have

around 300 new jobs at an average of \$15,000 per worker.

Mr. Hohman asked when they would reach the 1500 population state of development. Mr. Sheardown replied that the town would be standing in 1973 and they would have a complete city by spring of 1976.

Mr. Sheardown said they planned to offer a full tax base on the mine facilities. He said this was similar to what was being done in Canada and Australia.

Mr. Smythe said that one of the reasons they had rapid development in Canada was because the government provided basic transportation facilities.

Mr. Smythe said they had made a rough calculation of taxes to the state based on arbitrary family size and they came up with over \$1.5 million a year to the state in taxes.

Mr. Hohman asked the names of the two mines in Canada, and Mr. Sheardown said Pine Point and Anvil Mine at Faro in the Yukon.

Mr. Smythe said that the ship anticipated at this time to be used would be reenforced for ice and so it would be used 10 months out of the year. In essence, that would mean year round service up there--March and April would probably be too icy for its use.

Mr. Sheardown said that because there is no Development Act in the state, they are two years behind on the City Act. He said they had to have all of their feasibility studies done so that they could make the decision this spring. He said they had been talking, mostly on the Commissioner level, for the past three years suggesting this approach.

Mr. Fink asked what the capital was on this, and Mr. Sheardown said 5 million shares. Mr. Fink asked how much money was in the Corporation, and Mr. Sheardown said there was \$2 or \$3 million left in the till. Mr. Fink asked what the equity was, and Mr. Sheardown said about 2.5 million shares had been issued. He said they brought about \$3 million in this year, and maybe about \$2 million last year. Mr. Fink asked how much they were selling shares for, and Mr. Sheardown said they went at about \$4 or \$5. Mr. Fink said he would like to see a financial statement on Lost River.

Mr. Sheardown said they had more figures being put together on this, and he hoped they could get together with the committee in the next day or so. Chairman Hohman said they would meet with them at a later time.

RECESS

Meeting recessed at 9:40 a.m.

AFTER RECESS

9:45 a.m.

PRESENT All members except Mr. Degnan.

CS SB 211 Chairman Hohman called the meeting to order and said that the purpose of the meeting was to discuss CS for SENATE BILL NO. 211 (An Act providing for a longevity bonus) and what was involved in it. He wanted to discuss the kind of problems they are going to have and what the alternatives are.

Jay Hogan had worked up a Committee Substitute at the request of Mr. Ditman. He said they would have to drop the concern with whether or not they would get federal reimbursement. He said they would go ahead and pay the old timers and make no increase. The CS bases who is eligible on thirty years of residence in Alaska after the date of January 1, 1943.

Mr. Hohman asked what the different ways of funding this would be. The Committee discussed this and came up with the following three ways: (1) taking \$100 million out of the oil fund; (2) payroll tax; and (3) general fund and self-eliminating. The third one was most favorable.

Mr. Vernon explained that by setting up a cut-off date, it became self-diminishing.

Mr. Hohman asked the implications of the definite date, and Mr. Hogan said they didn't know. He said there is no way to really know because although they do know how many people there are, the bill would be contingent upon 30 years in the state, and there is no telling how many will stay 30 years.

There was some discussion on the date they should use as a cut-off. Mr. Hogan suggested taking the enactment of the Social Security System (1935) and backing up five years from that to 1930. This way they would be picking up people prior to the enactment of the Social Security Act.

At this time the Committee was called to make a quorum in the House.

RECESS Meeting recessed at 10:00 a.m.