

SENATE FINANCE COMMITTEE

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SENATE FINANCE COMMITTEE

January 25, 1972

11:15 a.m.

Present: All members

SB 258 Senator Butrovich called the meeting to order and brought SENATE BILL NO. 258 (An Act relating to the preparation of fiscal notes on bills) before the committee. Senator Ray moved and asked unanimous consent that SB 258 do pass. Senator Rettig questioned the word "increase" as being superfluous and moved that it be deleted from lines 11 and 14. Senator Ray objected and a discussion was called for by the chairman. The statutes were checked and Senator Butrovich said chapter 30 would be changed beyond the original intention of the bill. A vote on Senator Rettig's amendment resulted in 5 nays, 2 yeas. Returning to the motion to bring the bill out with a "do pass" recommendation, Senator Butrovich said the bill would save time and produce better results. The Budget and Audit Committee is in favor of passage. However, Senator Palmer recalled that in the Budget and Audit Committee's discussion there was a recommendation to send a copy of the fiscal note to the legislative sponsor of the bill, preventing departments use of inaccurate notes to kill a bill. Senator Butrovich instructed the staff to provide the author of a bill with a copy of the fiscal note. The committee voted unanimously to pass SB 258; Senator Rettig signing "with amendment" which he stated he would offer on the floor.

SB 275 SENATE BILL NO. 275 (An Act relating to the tax levy on cigarettes; and providing for an effective date) was brought before the committee for discussion. Senator Rettig asked how an increase from two and one-half mills to three and one-half mills on each cigarette could result in a 4 cent per pack increase, and it was explained the bill was in error. An amendment should be attached to correct the figure "[TWO]" to "[ONE]". Discussion followed on SB 275 and Senator Ray said he would vote "no recommendation" as he did not want to increase any tax when the state has \$800 million in the bank. The committee recommended to pass SB 275 with an amendment to correct the inaccurate figure, five members signing the majority report and two members signing "no recommendation."

Senator Ray questioned the status of SENATE BILL NO. 280 (An Act providing for the issuance of general obligation bonds in the amount of \$6,000,000, for the purpose of paying the cost of capital improvements for highway construction; and providing for an effective date). Senator Butrovich said the bill was received on 1/24/72 from Local Affairs, and a fiscal note had been requested. Additional questions on the request for a fiscal note were read to the committee by Senator Butrovich and SB 280 will be brought before the committee when a fiscal note is received. Senator Palmer asked if there was any provision in the bill for local service roads and he was advised this program was not associated with SB 280. He then asked if the committee could request information from the Department of Highways on the local service road program and the staff was so advised.

Senator Butrovich noted the majority of the budget books has been received and sub-committee assignments will be made shortly. A work session has been scheduled for 1:30 p.m. on the Alaska Court System budget between Senators Butrovich and Ray and Messrs. Reeves and Morrison, all members invited to attend.

Adjourned: The meeting adjourned at 11:50 a.m.

SENATE FINANCE COMMITTEE

February 8, 1972

9:10 a.m.

Present: All members except Ray, Palmer and Rettig.

SB 279 Senator Butrovich called the meeting to order and brought SENATE BILL NO. 279 (An Act providing for the issuance of general obligation bonds in the amount of \$3,500,000 for the purpose of matching federal funds under the Hill-Burton hospital construction program) before the committee and asked for questions or discussion. Senator Lewis questioned the use of funds on the last bond package and Senator Butrovich explained that there was information concerning this in the file. Senator Ray came into the meeting at 9:15 and Senator Butrovich stated that the committee was considering SB 279, the administration's bill for the Hill-Burton hospital construction, and that there was nothing in the bill that they had not been doing every two years. Senator Ray moved and asked that the bill be put out with a "do pass" recommendation. The members moved so unanimously. The committee then further discussed SB 279 and its revenue sharing in fiscal year 1972.

SB 278 SENATE BILL 278 (An Act providing for the issuance of general obligation bonds in the amount of \$10,000,000 for the purpose of paying the cost of capital improvements for flood control projects) was presented to the committee for discussion. Senator Ray asked why the fund should be provided now when no one is ready to get going until FY 1973 and Senator Butrovich explained that the federal people are ready to go and that it is just a referendum anyway. He went on to say that the people have to vote and if they feel it's too local they will vote against it. Senator Palmer came into the meeting at 9:25. Senator Ray said he would move the bill with a "do pass" recommendation. Discussion followed on fiscal aspects of the bill and Senator Lewis asked if there would be any local participation. Senator Ray answered that they were supposed to pay up to 10%. Senator Palmer asked how many succeeding installments they would have in this project. Senator Butrovich referred to the fiscal note and answered there would be none. Senator Palmer asked if there was good insurance that the amount on the bill would be enough and discussion followed. Senator Butrovich asked who asked for unanimous consent. Senator Palmer objected, and Senators Ray, Poland and Koslosky consented. Senator Lewis did not concur and voted with a "no recommendation".

Adjourned: The meeting adjourned at 9:30 a.m.

SENATE FINANCE COMMITTEE

February 15, 1972

9:10 a.m.

Present: All members with the exception of Senator Lewis; Myrton R. Charney, Director, Division of Budget & Management.

SB 280 Senator Butrovich called the meeting to order and brought SENATE BILL NO. 280 (General obligation bonds, \$6,000,000 for highway construction) before the committee. Senator Ray moved and asked unanimous consent to move the bill from committee with a "do pass" recommendation and Senator Poland seconded the motion. No objection, so ordered. The fiscal note was discussed and Senator Butrovich asked how firm the federal funds were. Mr. Charney replied they were pretty firm, and last year the legislature appropriated the full \$40 million for a two-year authorization to match federal funds. Congress authorized the funds to be used on highways and ferries. SB 280 was signed with a unanimous "do pass" recommendation.

CSHB 507 Senator Ray said this was a prime example of how funds were transferred from one unit to another, leaving the department short, and noted the understanding in free conference is the departments are not to make such changes. Mr. Charney explained there was a unique problem in Military Affairs, since they did not receive enough money for vacancy/turnover and no new positions have been allowed. Senator Ray replied the budget last year authorized five positions which had not been filled; however, the money was appropriated. Mr. Charney said the five positions have now been filled. Mr. Charney added the original request was for \$30,000, based on the fact that the educational bonus would be withdrawn. With the scholarship loan program in Alaska, there now is no financial reason why anyone could not receive an education. However, the House Finance Committee increased the appropriation to \$50,000, with the assumption that it be included in next year's budget. Mr. Guthrie referred to the fiscal note and attachments which explained the funding and the House Finance Committee report which explained the increase (see bill file). Senator Ray questioned the term "obligated education grants" and Mr. Guthrie replied this was for 12 individuals already enrolled in the education assistance program. Senator Ray moved and asked unanimous consent to amend the figure of \$50,000 to \$30,000. Senator Rettig asked what effect this would have on reenlistment and Mr. Charney replied the enlistment rate in Alaska is up very slightly and the state retains more men in the Guard than any other state in the nation. Senator Butrovich stated the committee does not have sufficient information to vote on the bill and it would be returned to the file until Senators Lewis and Butrovich receive further information to present to the committee.

Senator Butrovich added a notice will not be put on the board of the bills to be discussed in committee; if a member has a particular interest in a bill, it should be brought to the chairman's attention.

Hearings are scheduled at the House Finance Committee with the University of Alaska and Senator Butrovich said either he or Senator Lewis will attend these meetings to hear testimony, but it was not necessary for the entire committee to attend.

Adjourned: The meeting adjourned at 9:25 a.m.

SENATE FINANCE COMMITTEE

February 17, 1972

11:25 a.m.

Present: Senators Butrovich, Ray, Poland and Koslosky. Also present Senator Joe Josephson; Margaret Bartoo, Medical Care Coordinator, Division of Family and Childrens Services; James F. McClain, Administrative Officer, Health and Social Services; Frederick McGinnis, Commissioner of Health and Social Services; Stanley P. Harris, Director of Division of Family and Childrens Services; Al Gillen, Consultant to Department of Health and Social Services on Title XIX; Myrton Charney, Director of Division of Budget and Management; and Mr. Hank Pratt.

SB 56

Senator Butrovich brought out SB 56 (An Act relating to medical assistance for needy persons) before the committee for consideration and asked that those present from Department of Health and Welfare make their presentation at this time. He stated that the committee would make their final decision at a later date. Commissioner McGinnis began and said he wished to make several special points. He stated that on the national scene, health issues have been especially and increasingly scrutinized, and that there are 12 bills pending before Congress for basic changes in medical care now. He went on to say that the most liberal of the 12 bills is the Kennedy/Griffith bill; in the middle position, the American Medical Association's bill; and the most conservative, President Nixon's bill. He said that the outcome of these bills will make a big difference to Alaska and all Medicaid programs. If national health insurance is passed, there will be a reshuffle of everything. He said that from the point of view of Medicaid, the department is developing thorough reports for the legislature. A financial analysis has already been made and submitted to the Administrative Services Division for confirmation and further information. The Commissioner stated that the department is informing the Governor of all progress. He also stated that Mr. Gillen was invited to Alaska as a consultant on every ramification of the Medicaid program. He ended with saying that to say that the Department of Health and Social Services is advocating Medicaid is premature, as they saw this meeting as purely a discussion meeting. He then gestured to Mr. Gillen.

Mr. Gillen rose and stated that his presentation would most easily be begun if he referred to some charts he had with him, to show the differences between Medicare and Medicaid. The following is information found on these charts:

MEDICARE

For people 65 and older

Insurance program run by the
the federal government

Federal program

Hospital insurance, pays part
but not all hospital and med-
ical costs.

Works on a deductible system

Hospital insurance financed by
separate payroll contributions.

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

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

Run by federal government

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. Gillen stated that when he came to Alaska he examined Alaska's
program and wonders about the role of the U.S. Public Health
Service in Alaska. If Alaska does adopt the Medicaid program,
will the USPHS remain a primary source of medical relief to the
native population of Alaska? Commissioner McGinnis answered
that his hunch was that nothing will happen to USPHS in Alaska
for at least three years and then it will be an open matter. He

MEDICAID

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

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

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

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

Does not have a deductible feature.

Financed by federal matching and
state and local tax governments.

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

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 state government within fed-
eral guidelines.

continued that the president's budget for USPHS for FY 73 stands at about \$27,500,000 with another \$12,000,000 for maintenance, etc. He said that the land claims bill requires the state to report to the Secretary of the Interior, so all efforts should be coordinated. Senator Butrovich asked if those figures were up or down from 1972, and Commissioner McGinnis replied up. Mr. Gillen added that if public health moves out, it is an important question as to whether Medicaid can support existing facilities; however, there would be a lower cost factor involved if existing facilities could be taken over.

Mr. Gillen brought up the subject of computer time and availability. He said that after surveying the computer system in Juneau he found that there is relatively little computer availability and that the staff would not be capable of handling the Title XIX program. The overrun in other states is caused by too little computer availability; information was not available on the spot and work piled up, making for extra cost. He felt that an alternative is that the state contract with a fiscal agent, but that there are inherent dangers as the fiscal agent will do all management work and will become indispensable. He explained that in other states, it was found that Blue Cross and Blue Shield would accept the contract for the first year at a low rate and then raise the rate each year, and the state has no choice but to pay the cost.

Mr. Gillen went on to say that in any Title XIX program there are five basic options: (1) in-hospital services; (2) out-patient; (3) lab and x-ray; (4) physicians service; and (5) nursing homes. He said that there are seven other options including dental care, eye glasses, drug abuse, and nursing home care. Mr. Gillen recommended very strongly that Alaska take only the first five options, giving the example that some states took all options and found that they just could not afford them. He stressed that once options are chosen, it is extremely difficult to back out of them. He suggested that after developing staff, computer time, etc., other options could be added. He said that he had also found in many states that the legislative people left policy making powers to the welfare agency. He felt that the legislature should keep power over the selection of options. He said that the legislature controls the budget and this is the way to control additional options. Other options are extremely expensive, for example, some states have added drug abuse, which is spreading rapidly in the states, and some have added dental, which is very expensive. He stated that another of his strong recommendations is that the legislature control the expansion of the program.

Commissioner McGinnis pointed out that the first five options are absolutely required and are not actually options. Mr. Gillen agreed and added that with the adoption of these five options, Alaska would receive the bulk of federal funds for operation of Medicaid. He said that the program carefully controlled, works

beautifully and that he would leave a sample act which would show federal requirements and would give the group some type of groundwork in their considerations. One important federal requirement is called "utilization review", which means that all factors are reviewed by peer members, even down to the length of time a patient spends in a hospital. This type of review is another method of both keeping the cost down and exercising control.

Mr. Gillen then stated that in summary he would like to leave it with these main points: (1) Alaska choose only the five options; (2) determine the number of natives who would cross over to Medicaid from Medicare; and (3) consider strongly the spectre of the native land settlement and its impact on the program.

Senator Butrovich then introduced a question and answer period and Senator Josephson started by asking Mr. Gillen if he thought the adoption of Title XIX would result in overall cost savings to the state. Mr. Gillen answered that the state would save in two ways: (1) Alaska would receive matching funds; and (2) there is a great possibility that the state will be able to serve a larger group of people with better service for the same amount of money. Senator Butrovich asked Mr. Gillen if that had generally been the experience of the other states, strictly within the realm of money, not expansion of service, etc, and Mr. Gillen replied that if Alaska chose only the five basic options, money would be saved, but with addition of other options like dental, it would cost the state more.

Senator Koslosky asked if Title XIX would be in addition to or in place of our present state health insurance. Mr. Gillen replied that it would be in addition to, if the person qualified. Senator Poland asked about the disabled and Mr. Gillen said they would be included. Senator Butrovich asked for a copy of the papers Mr. Gillen had referred to in his presentation and Mr. Gillen agreed to leave two sets. Commissioner McGinnis added that the department of Health and Welfare would have presentations related only to the fiscal aspect of this program. He said that it would be completed in about two weeks. He stated the department's desire to be completely objective and they want their research to be defensible.

Senator Josephson asked Mr. Gillen if he had done a computer survey in Anchorage, to which Mr. Gillen replied that he had not but he did know that there is an additional computer in Anchorage and it is a definite possibility as long as all the work is done in one place and fiscal functions are not split. Commissioner McGinnis agreed and stated that he had already been advised to have all the busy work done in one place. Myrton Charney stated that he felt the state was not short on computers and that with one completely installed in Anchorage now, work could be

shifted in the case of a sharp increase. He said that the state has three basic computers altogether. Mr. Gillen consented to that idea with the reservation that he did not know how much storage there is on the computers and continued with the statement that Alaska should not contract an out-of-state fiscal agent under any circumstances.

Adjourned: The meeting adjourned at 12:05 p.m.

SENATE FINANCE COMMITTEE
February 29, 1972
1:35 p.m.

- Present: All present except Senator Lewis. (Senator Rettig has submitted his resignation to the Senate Finance Committee.) Myrton R. Charney, Director, Division of Budget & Management.
- SB 277 Senator Butrovich called the meeting to order and brought SENATE BILL NO. 277 (An Act providing for the issuance of general obligation bonds in the amount of \$28,000,000 for the purpose of paying the cost of capital improvements for water supply and sewerage systems) before the committee. The committee reviewed the fiscal note and staff comments (see bill file). Senator Ray moved and asked unanimous consent to move the bill from committee with a "do pass" recommendation; Senator Poland seconded the motion. No objection, so ordered.
- CSSB 285 COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 285 (An Act relating to the board of parole) was brought before the committee. The Judiciary Committee had put in the committee substitute for the original bill, which provided for an Executive Director of the parole board. Senator Ray stated he had received much correspondence on this bill, and someone was needed permanently to do the work. Senator Koslosky had been warned against the bill, and Senator Ray said the only people opposed to it were some probation officers who thought the parole board would have too much control. The fiscal note was examined and it was noted a small increase has been projected for the next five years. Senator Palmer moved and asked unanimous consent to move the bill from committee with a "do pass" recommendation. No objection, so ordered.
- HB 501 HOUSE BILL NO. 501 (An Act making a supplemental appropriation for the veterans' loan program) was brought before the committee. Senator Palmer noted a letter in the file from Emmitt Wilson, Deputy Commissioner, Department of Commerce, listed only the approved loans and questioned how many had not been approved. He requested a letter be sent to the Department of Commerce asking for this information. Senator Ray moved to pass the bill from committee with a "do pass" recommendation. No objection, so ordered.
- CSHB 507 COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 507 (An Act making a supplemental appropriation to the Department of Military Affairs) was brought before the committee. Senator Ray proposed a committee substitute to appropriate the original sum requested of \$30,000, rather than approve the committee substitute proposed by the House Finance Committee which appropriated \$50,000 for this program. The fiscal note was examined and it was noted that an obligation exists to pay a total of \$30,000 due for reenlistment bonuses and the educational assistance program. The objective of the National Guard was questioned and Senator Palmer stated it was a haven for those who don't want to go in the draft. He asked if this shelter should be maintained. Senator Ray said there is no alternative while the present law is on the books. Future

funding of these programs was questioned, and Mr. Charney pointed out that educational assistance is not in the budget this year but the reenlistment bonus is. Senator Butrovich stated there was an obligation on this particular bill for \$30,000 and a committee substitute would be drawn up for the members' approval.

SB 270 SENATE BILL NO. 270 (An Act relating to motor vehicle registration) was brought before the committee. The fiscal note was examined and it was noted the bill will generate about \$27,000 worth of income. Discussion followed on the intent of the bill. Senator Butrovich assigned Senators Poland and Palmer as a sub-committee to research and present further information to the committee. SB 270 was returned to the file.

SB 311 SENATE BILL NO. 311 (An Act relating to the issuance of commercial fishing licenses) was brought before the committee. The committee discussed the implications of the bill, and decided there was no reason for it to be reviewed by the Finance Committee. It was forwarded to the President of the Senate, Jay Hammond, with a letter requesting SB 311 be sent to the Rules Committee for placement on the calendar. (See bill file for letter.)

SB 292 SENATE BILL NO. 292 (An Act providing for interest to be paid on income tax overpayments) was discussed. Senator Butrovich stated this bill puts the state in the same position as the federal government with regard to interest on income tax overpayments. Discussion followed and problems noted with regard to undelivered mail, insufficient addresses, etc. Senator Butrovich requested a written opinion from Mr. Stevenson, Deputy Commissioner, Department of Revenue, and the bill was returned to the file until this information is received.

CSHB 516 Mr. Charney asked if the committee would take action on COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 516 (An Act appropriating to the Office of the Governor for payments under the Alaska Native Claims Settlement Act) since there is a 60-day provision on the bill and it was late. The fiscal note was examined and Senator Butrovich noted the bill must be brought out. Mr. Charney explained the regular appropriation for next year is in the budget, and projections through 1982 are shown in the budget document. The state must pay their portion or the federal government will withhold funds from other programs. Senator Ray moved and asked unanimous consent to move CSHB 516 from committee with a "do pass" recommendation. No objection, so ordered.

Senator Lewis arrived at the meeting at 2:25 p.m. and signed the bills passed from committee. The only exception from the unanimous consent to pass the bills was on CSHB 516, which Senator Lewis signed "no recommendation."

Adjourned: The meeting adjourned at 2:30 p.m.

SENATE FINANCE COMMITTEE

March 1, 1972

1:30 p.m.

Present: All members except Senator Lewis, who came into the meeting at 1:35. (Senator Rettig has resigned from the committee.) Myrton R. Charney, Director, Division of Budget and Management.

SB 278

Senator Butrovich called the meeting to order and brought SENATE BILL NO. 278 (An Act providing for the issuance of general obligation bonds in the amount of \$10,000,000 for the purpose of paying the cost of capital improvements for flood control projects) before the committee with a proposed amendment to the bill. He stated that he felt even though it was quite a long amendment, it was in shape to go. Senator Ray stated that the extra 10 million dollars in the amendment would generate about 30 million dollars in federal funds; Senator Poland stated that the actual amount would be \$24,550,000. Senator Lewis arrived at 1:35 and asked for a few words of explanation on the amendment and Senator Butrovich continued, explaining that it would pick up Senator Poland's part of the bill that does not pertain to floods, and that instead of calling for 10 million dollars in bonds it called for 20 million dollars in general obligation bonds. Senator Poland stated that three of the towns which would receive money for boat harbor projects are in the Aleutians and that there are now no boat harbors at all; such projects would open up that area of Alaska to a much greater extent. Discussion followed on harbor projects contained in the amendment with reference to a report on cost estimates (see bill file). Senator Palmer raised the question of federal monies and whether or not money had already been allocated by the Corp of Engineers. Discussion followed and Senator Ray suggested that the committee call Don Statter, Director, Division of Waters and Harbors in for questioning. Following the same subject of federal monies, Senator Poland stated that the federal government will not approve the projects unless the state shows that they can furnish the state's share of the cost. Myrton Charney stated that the congress allocates money every year; the funds are and will be available but they are not allocated to specific projects. Senator Ray expressed doubt about money actually being used for the project to which it is assigned. He asked the staff to check on completion dates for these projects; he said they would need something on paper. Senator Butrovich said that he had been told that the bond package was the most important factor. If the voters voted it down, the whole project will come to a crashing halt. It was decided that the question of federal monies was still not answered and that Don Statter would come in to speak with the committee after afternoon session on 3/2/72.

Senator Koslosky expressed a wish to make a statement for the record regarding some resolutions sent to him by the Mat-Su Borough. He said they had been sent to him for his action and the Mat-Su Borough had said they would send someone to talk with Senator Koslosky about these resolutions. They also said they would send back-up material. They did neither. Senator Koslosky feels that he cannot act on these resolutions now and that the Mat-Su Borough is not going through the right channels.

SB 270

Senator Butrovich then brought out SENATE BILL NO. 270 (An Act relating to motor vehicle registration) before the committee. Both Senators Poland and Palmer stated that Phil Wall of the Department of Revenue had told them that the matter could be handled by regulation and would alleviate the passage of a bill. Senator Palmer went on to say that now vehicles which are off the road require a \$15 license, and the new regulation would not require an off the road vehicle to have a license. Senator Ray said he felt that the administration would not go through with the regulation, and that they often conveniently forgot things like that. He went on to say the Finance Committee should pass the bill out and see if the Rules Committee would come up with something. Senator Butrovich called for unanimous approval for a "do pass" and all members concurred. A memorandum was to be put in the bill file asking the Rules Committee to notify the Finance Committee before putting the bill on the calendar.

CSHB 475

Senator Butrovich asked Senator Ray to review CSHB 475.

HB 536

HOUSE BILL NO. 536 (An Act making a supplemental appropriation for the administration and payment of scholarship loans) was brought before the committee. Myrton Charney began discussion by saying that the House held that bill and that they acted on their own bill rather than on the governor's bill. Mr. Charney felt that they had put the money figure up high to be on the safe side. Senator Butrovich stated that he felt the House was doing the wrong thing and asked the staff to find out why the House is using this procedure on this bill. Discussion followed with reference to information contained in the bill file (see bill file). The committee felt that the requirements for receiving this scholarship loan were too easy and that there were too many students receiving the loan, especially graduate students going to out-of-state educational institutions. Senator Ray asked what the payback is and Mr. Charney answered that 40% is forgiven and the student has a number of years to pay back the balance. He added that this is a very popular program. Senator Ray noted that there is a long waiting list and that the supplemental request is \$413,000, and said that if the committee even wished to consider the bill they should lower the amount to \$300,000. But, he said that the program was obviously on a first come, first serve basis and did not feel it would be fair to cut off the program as soon as the money ran out. Senator Butrovich

said that he would not go for more money than the governor asked for. Senator Ray stated that the Budget and Audit Committee is on record as supporting a supplemental to the scholarship loan program. Discussion followed and Senator Ray suggested that the staff have a few words with Dr. Lind, Commissioner of Department of Education to try to get more information on the supplemental bill. The bill was then returned to the file.

CSHB 526

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 526 (An Act appropriating to the Legislative Affairs Agency) was brought before the committee. The committee reviewed the Finance Committee Report and questioned each category for which appropriations would be made. Walter J. Levy and Associates, E. L. McClean, an interim secretary for the Speaker and the Cooper Building were the main items of discussion. Senator Lewis asked what control the Finance Committee actually had over the Legislative Council, and Senator Butrovich replied that the only control was the amount of money the Finance Committee allowed. He went on to say that the figures contained in the bill were frighteningly high. Senator Ray stated that he felt E. L. McClean and Associates should be cancelled, and Senator Lewis added to his statement that last year all they had done was pay E. L. McClean \$60,000 to tell the state that it could not afford to go through with a university project. The bill was returned to the file to be discussed at a later time.

Adjourned: The meeting adjourned at 2:50 p.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SENATE FINANCE COMMITTEE

March 3, 1972

1:35 p.m.

Present: All members (Senator Groh attended, but is not yet official); George Easley, Commissioner, Department of Public Works; Don Statter, Director, Division of Waters and Harbors; Jack Caruthers, Student Loan Officer, Department of Education; and Myrton Charney, Director, Division of Budget and Management.

SB 278
am Senator Butrovich called the meeting to order and brought out an amendment for SENATE BILL NO. 278 (An Act providing for the issuance of general obligation bonds in the amount of \$10,000,000 for the purpose of paying the cost of capital improvements for flood control projects) for further consideration and announced that representatives from the Department of Public Works were present to answer questions. Previous confusion on the amendment to SB 278 was on the matter of federal monies and it was decided that Mr. Statter would give a synopsis of how the Federal Small Boat Harbor and Dock Projects worked and would then describe the status of each project. Mr. Statter began by making the point that this program is unlike some other federal grant programs in that the Corps of Engineers is independent of the state as far as funding goes and if the local government does not have their share of the funds, the project is tabled and lost unless the funds are made available. He said that each bulk of federal money cannot be split up into more than one project. Then Mr. Statter began describing the first of the following projects:

King Cove - Federal Cost - \$1,000,000
State Cost (G.O. Bonds) - \$300,000
Local Cost - \$5,000
Status - Contract to be let late FY 72 or early FY 73.
\$746,000 construction funds available in
FY 72; \$400,000 requested for FY 73.
Estimated Completion date - FY 73.

He continued that he had information from the Corps of Engineers that they hope to get this contract out this year but did not have all the funding. The Budget won't be out until sometime this year, but they do expect to obtain the needed funds before that time. It was made clear that the local funding for all these projects is "in-kind" and therefore is not always in cash form. He also stated that there is a new federal requirement that if any kind of dredging is required, it must be financed by the state. In the case of King Cove, there is dredging involved and King Cove said they would provide it. The State share of \$300,000 in G.O. Bonds has apparently been committed and Senator Stevens apparently released the fact this summer that the federal share for the project had been provided.

Sand Point - Federal Cost - \$2,400,000

State Cost - \$850,000

Local Cost - \$8,000

Status - In final design stages. \$50,000 in planning money available in FY 72. \$80,000 requested for FY 73. Construction scheduled for FY 74.

Estimated Completion Date - FY 74

Mr. Statter said that there will be dredging required with this project and that if Sand Point cannot demonstrate that they can provide money for it, they will lose the project. Senator Palmer suggested the use of fuel tax receipts for dredging purposes and Mr. Statter stated that it would not be enough. If the state used all fuel tax receipts for Sand Point, the other projects would have to be dropped completely.

Kake - Federal Cost - \$2,200,000

State Cost - \$300,000

Local Cost - \$6,000

Status - In final design stages. \$145,000 in planning money available in FY 72. \$50,000 requested for FY 73. Construction scheduled for FY 74.

Estimated Completion Date - FY 74

Mr. Statter stated that the Corps of Engineers is designing the Kake project now in anticipation of getting the requested \$50,000 for FY 73. Indications are that the project will be underway in the summer of 1973. There is no dredging required for this small boat harbor project.

Hoonah - Federal Cost - \$2,600,000

State Cost - \$850,000

Local Cost - \$7,500

Status - Study completed. Report in Office of Management and Budget for construction authorization. May be included in FY 73 budget by Congress if early authorization is given.

Estimated Completion Date - FY 75.

Metlakatla - Federal Cost - \$2,000,000

State Cost - \$700,000

Local Cost - \$5,000

Status - Same as Hoonah

Estimated Completion date - FY 75

Mr. Statter explained that both the above projects are at present in Washington D. C. and that if they appear in the FY 73 budget, the FY 75 completion date schedule will be kept. However, he continued that they had lain in Washington several months and the Corps of Engineers felt if they stayed too much longer the funds would not be provided because of escalation. Senator Ray stated that he had talked with Senator Stevens on the matter and that he was amenable to the projects being in the budget and would do all he could to see that they are included in the FY 73 budget.

Senator Palmer then raised the question of timing on such projects as Wrangell, Haines and Unalaska (see bill file for study and completion dates). Mr. Statter explained that these projects are called 107 projects because the federal funding required is about \$1 million or less and therefore, they can bypass most of the administrative process for authorization. He said these projects could be authorized by the Corps of Engineers. He also added that money for the Wrangel, Haines and Unalaska projects will be ready by 7/1/72 and that Sitka is under review by the Corps as being a possible 107 project.

Bethel - Federal Cost - \$1,300,000
State Cost - \$500,000
Local Cost - \$200,000
Status - Under review by EDA and Corps of Engineers
Estimated Completion date - FY 74

Mr. Statter explained that he was not well informed on the progress of this project though the Corps of Engineers appears interested in it. He added that he is trying to coordinate the agencies to get the project moving. Senator Butrovich asked whose were the completion dates and Mr. Statter answered that they were federal estimations. Senator Palmer asked if EDA is willing to put up a portion of the federal cost and the status of federal approval. Mr. Statter was not sure as EDA is still waiting for stabilization confirmation from the Corps of Engineers. Senator Palmer noted that Bethel is not lumped together with other projects like some of the others. Senator Ray said that some of the reasoning behind that is that the completion dates are so far away and it is difficult to be committed for 10 years. Mr. Statter agreed with Senator Ray and said that the main reason for this lumping together was that they are waiting for study funds from the federal government. He added that the State feels that Alaska is going to be hard pressed to get more than two 107 projects going in one year, so they felt that it was realistic to separate them by one year. 2:25, Joe LaRocca came into the meeting.

Kodiak - Federal Cost - \$6,000,000
State Cost - \$1,000,000
Local Cost - \$7,000
Status - Study schedule for completion in late FY 72 or early FY 73.
Estimated Completion Date - FY 76

Mr. Statter stated that the priority is extremely high on the Kodiak project, and that the only thing holding it up is the government process. He expressed his feelings that the project is a realistic one and even though it is the biggest project in the budget he sees no problems with it. Senator Ray asked if this project was funded like all the others.

Ketchikan - Federal Cost - \$1,000,000
State Cost - \$900,000
Local Cost - \$7,000
Status - Authorized for study. Awaiting study funds.
Estimated Completion Date - FY 77

Mr. Statter explained that the city of Ketchikan has hopes of qualifying the Ketchikan project as a 107. He said that the congressional study is authorized but there are no study funds.

Anchorage - Federal Cost - \$1,000,000
State Cost - \$900,000
Local Cost - \$135,000
Status - Study underway, schedule for completion in FY 74. \$5,000 in study funds available for FY 72; \$10,000 requested for FY 73.
Estimated Completion Date - FY 78

Mr. Statter said that the Anchorage project has been under review and study for many years and is in the same category as Kenai in that it has many problems. A water harbor does not seem to be the answer and the dry land concept is strongly being considered. Senator Lewis asked if they expected to receive a 107 on this one and Mr. Statter answered no, that there is dredging and fill work involved and that it will amount to more than \$3 million for the state. He also said that the study has been going on so long and there are so many problems involved that the Corps of Engineers is not willing to make it a 107.

Kenai - Federal Cost - \$1,500,000
State Cost - \$800,000
Local Cost - \$10,000
Status - Authorized for study, Awaiting study funds.
Estimated Completion Dates - FY 79

Senator Palmer asked that since the Kenai project is awaiting funds were they considered a 107 project? Mr. Statter answered no. He went on to say that the Kenai project is a unique one because of the river, etc. He said that in fact, they were not even sure what the Corps of Engineers had in mind when they gave the \$1,500,000. He said that he felt the \$1.5 million figure is by now a low one.

St. Paul - Federal Cost - \$1,000,000
State Cost - \$500,000
Local Cost - \$3,500
Status - \$10,000 in FY 72 to start study. \$30,000 in study money requested for FY 73.
Estimated completion Date - FY 80

Port Lions - Federal Cost - \$250,000
State Cost - \$500,000
Local Cost - \$3,000
Status - Same as St. Paul Small Boat Harbor
Estimated Completion Date - FY 80

Mr. Statter said he though the figures were reasonable and that

the study was just getting started this year. Senator Poland asked that in the case of St. Paul why the figure of a few years ago (\$3.5 mil.) has been changed to one so low and Mr. Statter said he would research that for her.

Sitka - Federal Cost - Unknown
State Cost - Unknown
Local Cost - Unknown
Status - Under review by Corps for possible 107 project study funding.
Estimated Completion date - Unknown

Mr. Statter explained that Sitka has just been identified and there is not much more he could say at that time.

The committee discussed the projects as a whole and it was pointed out that this list of projects contains only those that have been authorized by the Corps of Engineers for study. Mr. Statter reiterated that these figures and information are the best he could furnish at this time. Senator Groh then brought up the question of the last five projects being put together in the amendment (see bill file) and being shown with a total figure of \$3.6 million rather than being separated. The committee then discussed this matter in length, deciding which method of exhibition on the amendment would be in the best interests of the State. Senator Groh felt that the projects should be listed, which would leave the \$3.6 million question off the floor. Senator Ray felt that the projects should be left together as it would be extremely confusing to the public if projects were later changed or abolished. Mr. Statter pointed out that if the Kenai project (which entails many problems) is determined to be unfeasible, another might be put in its place; this is difficult to explain to a people who are expecting a particular new facility. 2:45, Senator Groh left the meeting.

Senator Butrovich asked for further questions. Senator Ray moved and asked for unanimous consent for adoption of the amendment. Senator Poland seconded this motion and Senator Butrovich stated if there were no objections, then the amendment had been adopted.

Recess: The committee recessed at 3:00 p.m.

AFTER RECESS

3:15 p.m.

Present: All members except Senator Groh. Mr. Jack Carruthers, Student Loan Officer, Department of Education; Myrton Charney, Director, Budget and Management Division.

HB 536 Senator Butrovich called the meeting back to order and stated that Mr. Carruthers would answer questions concerning HOUSE BILL NO. 536 (An Act making a supplemental appropriation for the administration and payment of scholarship loans). The Senator added that he could not understand why the House Finance Committee had not put in a CS for HB 502 (the governor's bill) instead of carrying their own bill. Senator Butrovich asked Mr. Carruthers to comment on the request for supplemental appropriations. Mr. Carruthers stated that the Department of Education had underestimated the popularity of the program and the potential drop-out rate. He said that the additional \$35,000 is being used to operate the program for the remaining 6 months of this year. Senator Lewis asked Mr. Carruthers if the department could hold applications until next year when they run out of money or are they banking on this supplemental and Mr. Carruthers stated that the applicants must be told that there are no funds at this time and when funds are received, the applicant will be considered. Discussion followed as to the type of applicants - new students, continuing, transferring, graduate, etc. Mr. Carruthers stated that most applicants at the U. of A. are student who are in school but who need funds to continue. He added that student need is considered, not parental need. Mr. Charney stated that the Budget and Audit Committee is on record to support a supplemental. The governor has also agreed. 3:30, Joe LaRocca came into the meeting.

Mr. Charney also stated that the administration went on record that though they support a supplemental for this year, they will not support one for next year.

The committee discussed the type of education this loan program covers. Mr. Carruthers stated that he is very pleased with it as it covers the business and mechanical areas of education also. Senator Palmer brought up the subject of the differences in the amounts of requests for supplementals (HB 502 & HB 536), \$300,000 and \$413,000 respectively and Mr. Carruthers replied that it is a question of philosophy - do we want to serve all the eligible applicants or just a portion. Senator Ray went on record as supporting what the governor requests if it were their own bill. Senator Butrovich said that the committee would hold the bill over and asked Mr. Charney to get more information.

Adjourned: The meeting adjourned at 3:40 p.m.

JOINT HOUSE AND SENATE FINANCE COMMITTEES

March 6, 1972

3:00 p.m.

PRESENT

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

HIGHER
EDUCATION
STUDY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Fink asked about the assumptions under which they proceeded. Dr. Starcher said that in the AMU situation they were talking about an institution that had been built, and which is able to handle 550 full-time equivalency students. If AMU went, the state of Alaska would have to take care of those 550 full-time equivalency students. There would be pressures to enlarge the University of Alaska at Anchorage to take care of them. He said the question arose as to why not pay AMU an operating cost equivalent to the operating cost the state would be obliged to pay; and allow the student to enter there and get the education there if he so desired. He explained that was the basis of the formula suggested for students. It would not apply to a student going anywhere else in the state or outside. Mr. Fink suggested giving half that difference and letting the students go outside. Dr. Starcher said the state was trying to develop and maintain the very best institutions of higher education that it could. They couldn't do that and allow anybody to go anywhere he wanted outside the state at the state's expense. Dr. Starcher thought the situation of the people of the state depended to a large extent on higher education. He didn't think the state of Alaska should simply look at dollars. Dr. Starcher added that if youngsters went outside to school they probably wouldn't come back, but Mr. Fink thought that was an old-fashioned idea.

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

Dr. Starcher hoped they had been concerned about the welfare

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADJOURN Meeting adjourned at 5:55 p.m.

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

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

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

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

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

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

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

SB 308

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

HB 263

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

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

SB 262

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

HB 695

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

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

Recess:

The meeting recessed at 9:45 a.m.

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

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

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

HIGHER
EDUCATION
STUDY

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

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

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

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

Representative Chance entered the meeting.

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

revert to the state primarily for use of the University of Alaska. A copy of this and other proposals was presented to each committee member (see pages 44 to 49)

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

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

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

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

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

Senators Butrovich and Merdes left the meeting.

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

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

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

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

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

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

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

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

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

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

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

Representative Banfield entered the meeting.

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

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

HJR 106

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

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

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

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

A POSSIBLE SOLUTION

AMU, AND HIGHER EDUCATION IN ANCHORAGE

Senator Ed Merdes
Special Subcommittee
Legislative Council

Dear Senator Merdes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

L. L. Linn
V. Pay Peterson
R. Wickman
William A. O'Neil

AFTER RECESS
JOINT MEETING
1:40 p.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recess: The meeting recessed at 2:45.