

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2619

SENATE FINANCE COMMITTEE

June 5, 1972

11:25 a.m.

Present: All members with the exception of Senator Lewis; Eric Wohlforth, Commissioner of Department of Revenue; Myrton Charney, Director, Division of Budget and Management; Steve Weiner, AP.

SB 422 Senator Butrovich called the meeting to order and brought out SENATE BILL NO. 422 (An Act appropriating \$2,380,900 to the S.O.S. system for bilingual education) and SENATE BILL NO. 423 (An Act appropriating \$1,550,000 to the University of Alaska Native Language Center) for consideration. Senator Palmer moved and asked unanimous consent that the bills be put out "do pass" with individual recommendations. All members present voted "do pass" on both bills.

HB 688 HOUSE BILL NO. 688 (An Act appropriating \$90,000 to the Office of the Governor, Division of Elections) was presented for consideration. Senator Ray stated that this money would hire personnel to process 100,000 voter registration cards. He further stated that this bill was put in with the understanding that it would pass right away as the time for a supplemental has gone by. Senator Butrovich asked if he were predicating this by saying it depends on what happens by June 30, and Senator Groh interjected and said that it had nothing to do with June 30 and that any implication by Senator Ray that it had something to do with a court case was pure balony. He added that the bill was put in by the Lt. Governor asking for \$90,000 to re-do 100,000 registration cards. Senator Butrovich asked if the senators were speaking for or against the bill and Senator Ray answered that he did not have the slightest doubt that the work was there to be done or that the personnel had not yet been hired. Senator Groh said that he also saw that the work was to be done and that it is done every 10 years, but that he just wanted to make his point that it has nothing to do with a court case. Senator Ray asked Myrton Charney why it couldn't just be put in the budget to which Mr. Charney answered that in that case it couldn't be used until June 30. Senator Palmer moved and asked unanimous consent that the bill be passed out with individual recommendations. Senators Koslosky, Palmer, Poland and Groh were for the motion. Senator Palmer asked Mr. Charney why the money hadn't been put in last years budget if it was a regular operating expense; Mr. Charney answered that last years budget had been prepared by the prior administration. Senator Palmer pointed out that the legislature had been receiving changes up until the 100th day last year. A vote was then taken on HB 688 with all members present voting "do pass" with the exception of Senator Butrovich who voted "no rec."

CSHB
402 am

CSHB
403

Senator Butrovich brought out COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 402 am (An Act relating to municipal authority) and HOUSE BILL NO. 403 (An Act relating to bond bank authority). He announced that Mr. Eric Wohlforth, Commissioner of the Department of Revenue was present to explain need for the bill and answer questions; he asked Mr. Wohlforth to proceed. Mr. Wohlforth began by saying that this would provide for a new agency with power to purchase bonds. This procedure would benefit those smaller municipalities with a limited borrowing history to reduce interest costs on bonds and to reduce borrowing expenses incurred by larger municipalities. It would provide for \$100,000,000 in total bond authority and would provide an addition of \$15,000,000 for a reserve fund with earnings available to the general fund. The new agency would enter into an agreement with local communities and bonds would be purchased by the state authority. This set-up would not give a wedge to those communities with risk bonds because the first requirement by the authority is that the bond stand the test of the market, and be found otherwise marketable. He said that he felt it has been objectively shown that this procedure yields a lower interest rate on bond sale. He pointed out that two states have adopted this legislation: Vermont and Maine. Several other states have it pending in their legislatures.

Senator Butrovich asked if he could assume that if a bond deal is voted down, then the authority could not go ahead and sell the bonds, and Mr. Wohlforth answered no. Senator Butrovich asked if the agency would market the bonds with the state behind it or if it merely acted as a middle man. Mr. Wohlforth answered that the bonds would not be resold; he said that these bonds will be issued and purchased on the day the authority sells and receives the proceeds of its own bonds. The \$15,000,000 will be a reserve in the case of default.

Senator Groh asked that if there is no pledge to the credit of the state, why is there the need for the \$15,000,000. He asked why, if they would only rely on the credit of the municipality, would it be worth anything and how then could the credit of the municipality improve. He asked if it would be clear to say that the State of Alaska would be giving \$15,000,000 in reserve funds to pay the bond holder in the case that the municipality defaults and Mr. Wohlforth answered yes, up to that \$15,000,000. Senator Ray asked for how long the \$85,000,000 would be lent and Mr. Wohlforth said up to 20 or 30 years. He went on to say that the 15% reserve fund would be in essence a "sweetner", a way to reducing interest costs. Senator Butrovich pointed out that the towns of North Pole, Nenana, Nome and Wrangel have already defaulted on other provisions. Mr. Wohlforth reiterated that the bonds must be marketable, independently and that the sole reason for the \$15,000,000 device is to lower interest costs. Senator Ray stated that in his viewpoint it is only gambling money.

Senator Palmer suggested that maybe the same thing could be done

by using the lever of state sharing and use the same criteria, the test of marketability, etc. and then say the credit of the state is pledged. Mr. Wohlforth said that this procedure would require at least a referendum vote of the people. Senator Palmer asked if he thought one legislature could not do it and Mr. Wohlforth answered no, that maybe it would be a good thing, but he just wanted to point out that a referendum vote of the people would be needed. He said that this would be a good avenue to explore.

Senator Palmer asked again if the only protection then would be the test of marketability to which Mr. Wohlforth answered that he felt that would be the best protection. He said the obvious way of managing this would be to have a financial advisory on board from the beginning. He said that this is what Vermont and Maine have done. He said that it went the same way here there would be a group of underwriters appointed right away. Then, when the applications come in the underwriter would make a credit assessment and see which ones could avail themselves of the deal. Then there would be contracts made. He said that he felt that there are a lot of municipalities in Alaska at present which could participate. He said that a rejection of a municipality would not be a reflection of his credit as it could not borrow anyway. Senator Ray said that nevertheless, if an individual were to get refused credit, everyone in town would soon know about it. He felt the same would happen with municipalities.

Senator Ray pointed out that each bond issue depends on the market at that time and he could not believe that someone who is making 5.9 would settle for 5.1. Mr. Wohlforth said that they would be receiving much larger issues; he admitted that there is always the possibility of a mistake in such subjective matters as this.

Senator Butrovich said that he would like the committee to consider the bill further and have Mr. Wohlforth come in again. The committee concurred.

Adjourn: The meeting adjourned at 12:10 p.m.

SENATE FINANCE COMMITTEE

June 9, 1972

10:20 a.m.

Present: All members; Joe LaRocca, ABC news.

- CSHB 531 Senator Butrovich brought the meeting to order and introduced COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 531 (An Act relating to international airports revenue bonds) and opened discussion on said bill. There was a brief discussion on the additional language used in the bill and Senator Palmer stated that it sounded like "clean up" language. Senator Butrovich asked if anyone could explain it on the floor and Senator Ray stated yes, and he and Senator Groh consulted the Alaska statute book as further reference. Senator Palmer moved the bill out "do pass." Senator Butrovich asked if the committee would like to sign with individual recommendations and Senator Palmer again stated "do pass." A vote was taken and all members voted "do pass." Senator Groh offered to take the bill on the floor.
- HCR 28 am HOUSE CONCURRENT RESOLUTION NO. 28 am (An Act relating to the leases from the Alaska State Housing Authority) was presented to the committee. The committee discussed on whose priority list the bill was and then Senator Groh said that he did not like the idea of going through with this debt and that these capital improvements should be obtained through a vote by the people. He did not think it was legal for the legislature to give authority like this to the Alaska Housing Authority. Senator Butrovich said that he would return the bill to the file for the present and the committee would ask Joe Henri, Commissioner of Administration in to testify the next day.
- CSHB 514 am Senator Butrovich then brought out COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 514 am (An Act providing for the issuance of general obligation bonds in the amount of \$12,000,000 for the purpose of paying the cost of capital improvements for airports). Senator Lewis asked if this was Ferguson's fire fighting deal and someone answered that they thought it was. Senator Palmer noted that \$1.4 million state funds had been put in for Dead Horse after an agreement had apparently been made that no money would be allocated to that place. Senator Ray said that the language in the bill would have to be changed from "airports" to "trunk, secondary or bush airports owned or operated by the state or a political subdivision thereof." He said to just say "airports" would be too confusing. Then he moved that the committee come out with a CS using the language he had suggested. Senator Butrovich asked about going back to the governor's bill instead and Senator Ray objected by saying that the governor had only used the language "trunk and secondary." He said he would confer with the Attorney General on the matter, and left the committee room.

Senator Groh asked what would be wrong with putting in \$12 million instead of the proposed \$24 million and Senator Butrovich answered that they could not as the bill is a two-year one. Senator Groh questioned building \$200,000 airports for places like Whittier, which has a population of approximately only 46 residents. Senator Poland asked why airports for places like Tantaluliac and Eek were requested again as money had previously been allocated for them and the airports had not been built. Senator Butrovich stated that the money had been spent elsewhere. Senator Ray returned to the committee room and stated that the Attorney General had said that it would be in the best interests of everyone to put the suggested language in the bill to avoid confusion. Staff pointed out that the list of requested airports in the file covered only FY '73 for \$12 million and that expenditures for the \$12 million for FY '74 were not listed. Senator Groh stated that he would not vote for the other \$12 million if he did not know where it would be going. Senator Butrovich said he would hold the bill until the administration spoke on it and that they would hold the drawing of a substitute until that time. He said that they would not forget the language change suggested by Senator Ray. The bill was returned to the file.

HB 764 Senator Butrovich stated that HOUSE BILL NO. 764 (An Act appropriating to the Department of Administration) had just come in and asked the committee if they wished to do some "digging" on it. Senator Ray requested that the staff get in touch with Fred Cashen and see if it is not already in the budget. The bill was returned to the file until a later date.

HB 370 HOUSE BILL NO. 370 (An Act appropriating to the University of Alaska) was presented to the committee and Senator Butrovich stated that it was being brought up at the request of Senator Ray. Senator Ray said that he thought the bill was a good one and that he would move it out with a "do pass." Senator Lewis asked what the U. of A. would be doing and Senator Ray answered that they would be collecting data and information on arctic environment as the state does not now have a primary arctic information center. Senator Ray again moved the bill out, this time with individual recommendations. Senator Butrovich asked that, if passed, Senator Ray carry the bill on the floor. A vote was taken and all members voted "do pass" with the exception of Senator Lewis who voted "do not pass."

Adjourn: The meeting adjourned at 11:05 a.m.

SENATE FINANCE COMMITTEE

June 10, 1972

11:20 a.m.

Present: All members; Joe LaRocca, ABC news; Kent Sturgis, AP; Myrton Charney, Director of Budget and Management; Richard W. Freer, Deputy Commissioner of Administration; Joe Henri, Commissioner of Administration; Bob Dwyer, Deputy Commissioner of Public Works.

CSHB
514 am

Senator Butrovich brought out COMMITTEE SUBSTITUTE FOR HOUSE BILL 514 am (An Act providing for issuance of general obligation bonds in the amount of \$12,000,000 for the purpose of paying the cost of capital improvements for airports) and stated that Representatives from the Department of Public Works and the Department of Administration were present to answer any questions the committee might have. Senator Lewis began questioning by asking if secondary and bush airports were the same. Mr. Dwyer said that they were. Senator Butrovich noted that there were projects listed for FY '73 and FY '74 and asked if these were before legislative input. Mr. Dwyer said that they were not and that part are legislative and part are administrative. Senator Palmer asked about the request for money for Dead Horse and Mr. Dwyer said that this was the result of an administrative decision in which he did not participate.

Senator Ray moved and asked unanimous consent that his suggested language change be adopted. It was as follows on page 1, line 12 of the bill: "for trunk and secondary airports owned and operated by the state or a political subdivision." Senator Butrovich asked the administration to state their view on this language change and Joe Henrie stated that he felt that the language change would be equitable. Mr. Dwyer said that his department would have no objection to the change. A vote was taken and Senator Ray's amendment was adopted without objection.

Senator Groh asked if there was any way to measure the benefit of some of these airports. He went on to say that some of these towns were so small that he questioned the building of airports there. It was his feeling that the state can go broke doing things like that. Mr. Dwyer said that the department has a rather exhausting system devised in order to test the benefit of the airports. He said that the system is rather cumbersome and can be improved. Senator Groh said that he was familiar with many of these villages and felt that with the possibility of these villages moving and considering their low populations, there must be some way of consolidating them. He admitted that this would be a difficult political question but that something has to be done; a balance must be struck.

Senator Butrovich brought up the case of Northway and the airport there which is badly in need of repair. Mr. Dwyer said that the department honestly made a mistake and Northway did not get on the list. Senator Koslosky went on to say that the airport in Northway is a point of entry for customs and planes still land there often, but that it is dangerous because last winter weather conditions caused the blacktop to break into many pieces. He said that some people fly into Northway not knowing the conditions; disaster could result.

Senator Palmer then asked Mr. Dwyer if the towns on the list were priorities by the Department of Public Works or by the House Finance Committee. Mr. Dwyer answered that they were both and Senator Groh asked to see them separate as did Senator Butrovich. Senator Ray stated that he supported the repair of Northway but that he was prepared to vote on the bill at this stage of the game; he was willing to allow the governor of the state to take care of it and moved that the bill be put out with individual recommendations. Discussion ensued as to whether or not the Department had received title for all the land from BLM. Mr. Dwyer said that they had met with Secretary Harrison of BLM in Anchorage and that many of the titles had been received (about 50%) and that they were moving in the direction of receiving the rest in a good manner. He agreed that it would be less confusing to receive all the titles before starting the work.

Mr. Henrie pointed out that the \$24 appropriation in the bill is what the State of Alaska will have to match with the federal match of 67% of the total amount.

Senator Butrovich said that the committee would hold the bill until Commissioner Easley could come to testify.

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

AFTER RECESS
June 10, 1972
2:40 p.m.

Present: All members; Myrton Charney, Director of Budget and Management; Joe Henri, Commissioner of Administration; Richard W. Freer, Deputy Commissioner of Administration; George Easley, Commissioner of Public Works; Steve Weiner, AP.

HCR 28
am Senator Butrovich brought the meeting to order and brought out HOUSE CONCURRENT RESOLUTION NO. 28 am (An Act relating to leases from the Alaska State Housing Authority) and stated that Commissioner Henri was present to speak on the resolution. He asked Mr. Henri if HCR 28 am was a "creature of the administration," and Mr. Henri answered that it was not. He went on to say that the administration did not ask for any Pioneer Home legislation in their budget this year.

Senator Butrovich asked what the administration's position was, adding that last year when the legislature put in legislation for an addition to the Pioneer's Home in Fairbanks, administration asked them to hold the bill because there would be a bond proposal put forward. Commissioner Henri answered that of course, if a Pioneer's Home were built in Anchorage, it would be filled, but that he did not understand a real need for it at this time. He said that as far as the new wing in Fairbanks went, it would be built to increase service there; he said that the state could afford to build the wing.

Senator Lewis asked how much more it would cost going through ASHA than buying bonds, and Commissioner Henri answered that it would cost about \$150,000 more as ASHA costs capitalized interest. Last year the capitalized interest was 5.6%, which was considered good.

Senator Butrovich asked if federal monies could be received by going the ASHA route, and Mr. Henri said that only rent could be received. However, this year they said they would pay the depreciation, of about \$300,000 a year. So that is extra money coming in that could go to the debt service. Senator Butrovich asked Mr. Henri to state his opinion on the best route to take and Mr. Henri answered that he thought the ASHA route would be the best and the most practical. He said if they could be sure to get a G.O. bond passed, it would be good.

The committee discussed pioneer's homes in Alaska and brought up figures as to their capacity and whether or not people had been able to get in. Senator Palmer noted that the passage of 211 would leave money for some of these people and they would be able to stay at home.

Senator Ray pointed out that by going the ASHA route, federal funds might be lost, and Commissioner Henri said that there are a lot of federal fund requirements and that Alaska may not qualify because of the state record storage method. Discussion ensued.

Senator Lewis brought up the question of the legality of the ASHA route. Commissioner Henri said that the ASHA route is a simple legal vehicle and that the Division of Buildings runs the construction. He said that the ASHA bonds are nothing more than a moral obligation. These buildings do not obligate the state to a debt, and only by a G.O. bond given by the legislature can the state be legally bound; he said the administration is content with the ASHA route.

Senator Butrovich stated his discontent with the situation, saying that this year was supposed to be the bonding year and that is why he held the bill at the request of the governor. He stated his feeling that Fairbanks, which already has a Pioneer's Home in need of expansion, should be taken care of before a new building is built in Anchorage. Senator Butrovich said that he would prefer to speak with the governor before acting on the bill, and he returned it to the file for the present time.

1 764 HOUSE BILL NO. 764 (Appropriating to the Department of Administration) was presented to the committee. Senator Ray said that this appeared to be a clear cut bill and Senator Groh moved and asked unanimous consent that we put HB 764 with a "do pass." Senator Lewis asked if there weren't available facilities that the Juneau Douglas Community College could use and Senator Ray said that there were none, and added that the high school here will be holding an adult and childrens summer session called Community Schools. He said that also the Division of Personnel and PERS had offices in the old building and must find new space. Senator Palmer called for the question and Senator Ray moved that the bill be brought out with individual recommendations. All members voted "do pass."

CSHB 514 Senator Butrovich brought out COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 514 (Airport G.O. Bonds for \$24,000,000) and asked Mr. Easley about who developed the priority list for the airports. Mr. Easley said that the list was based upon the priority by the Division of Aviation. He said that as soon as they receive the rest of the land interest from BLM they will be ready to start. Senator Butrovich asked Mr. Easley about Northway and Mr. Easley answered that it was not included due to a mistake by the Department of Public Works. Senator Butrovich said that the committee had discussed this matter earlier with Mr. Dwyer, and asked if it would be difficult to get Northway on the priority list. Mr. Easley said that it would come to about \$75,000 or more and continued by saying that he did not feel it would very difficult to get it in this years budget.

Senator Groh asked how many people resided in Teller and the need

for airport repair there was discussed. Senator Groh felt that the size of the town did not warrant the work and Mr. Easley felt that no cost estimate could be put on, for instance, a case of appendicitis. Senator Groh reiterated his feelings from the previous meeting with Mr. Dwyer that he did not agree with the concept of building an airport every time 100 people got together. Further discussion ensued as to the population of various villages on the priority list.

Senator Palmer asked Commissioner Easley about the money put in for Dead Horse and Mr. Easley said that he had talked to great length about it to the governor and that the Center City people are putting together the financing and that includes a fail safe.

Senator Butrovich asked Commissioner Easley about the fire fighting portion of the bill and Mr. Easley said that he was against it as he felt it would not do very much good if a plane were "smacked up," but that it was a strict FAA requirement.

Senator Ray moved that the bill be put out with individual recommendations and said he would vote "do pass." The bill was passed around for signature. Those signing "do pass" were senators Ray, Koslosky, Palmer, Poland and Butrovich. Senators Lewis and Groh signed "no recommendation." It was agreed that as soon as the suggested language change regarding airports, which had been discussed during an earlier meeting with Mr. Dwyer, was complete, the bill would be sent out.

SCS
HB 739

Senator Butrovich brought out SENATE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 739 (Appropriation to the Department of Public Works, Fairbanks building fire) for consideration. Senator Ray moved that it be passed out with individual recommendations. Senator Butrovich asked Myrton Charney for comment and Mr. Charney said that it was a rather confusing situation but the Department of Administration fills out the billing; the retirement office prepares a bill for education to cover the retirement funds. When this was done, the Department of Education said that they could not pay it and would wait until the beginning of the new fiscal year. This has happened for two years in a row. He said that this procedure is a joint responsibility between the Department of Education and Retirement. A second motion was made to move the bill out and it was passed around for signature. All members signed "do pass."

HB 755

HOUSE BILL NC. 755 (Granting authority to transfer money from the general fund to general obligation bond construction funds) was presented to the committee and Senator Butrovich asked Myrton Charney for comment. Mr. Charney said that this work was done in their central treasury and in getting their financial statements certified they run into problems because they have to show negative balances on all of their temporary construction funds. This bill will make it legal to make temporary borrowing and temporary construction will show positive on their financial statements.

Senator Ray moved that the bill be put out with a "do pass." All members voted "do pass."

Senator Butrovich brought out COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 32 (Pay increments for state employees) for consideration. There was some discussion as to the intent of the bill; Senator Ray said it would provides for higher pay for those people who are trapped in a classification. He went on to say that because of the merit system and because of relatively new educational requirements. Discussion followed along these lines and Senator Butrovich stated that the committee would wait on this bill until someone from the Personnel Division could come in to speak on it.

CSHB 552 COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 552 (Creating a Department of Community and Regional Affairs) was briefly discussed and the committee decided to handle this bill at a later time also.

Adjourn: The meeting adjourned at 4:50 p.m.

SENATE FINANCE COMMITTEE

June 11, 1972

2:50 p.m.

Present: All members with the exception of Senator Lewis; Steve Weiner, AP; Joe LaRocca, ABC.

- CSHB 815 Senator Butrovich brought the meeting to order and introduced COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 815 (Appropriation to the Department of Law for a special study of a limited entry fishery). Discussion followed and Senator Ray moved the bill out "do pass." Senator Butrovich asked that if passed, Senator Poland carry this bill on the floor. A vote was taken and all members voted "do pass."
- CSHB 554 Senator Ray moved that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 554 (general obligations bonds for \$11,000,000 to pay for capital improvements for civic, convention and community recreation centers and sports facilities) be brought up for discussion. Senator Butrovich asked for a show of hands of those who wished to discuss the bill. Those in favor were Senators Ray and Groh. The motion did not pass.
- CSHB 549 Senator Groh moved that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 549 (Tuition grants - higher education) be brought up for discussion. Those in favor of the motion were Senators Groh, Palmer, and Koslosky; the motion did not pass.
- CSHB 640 (fin) am Senator Ray moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 640 (fin) am (general obligation bonds for \$17,680,000 to pay cost of acquiring, constructing and equipping S.O.S.) be brought up for discussion. Senator Ray was in favor of the motion; the motion failed.
- SB 209 Senator Groh moved that the committee discuss SENATE BILL NO. 209 (relating to retirement and death benefits for the national guard). Senator Ray pointed out that he had been appointed as a sub-committee on the bill and that he was working diligently on it.
- SB 301
SB 302 Senator Groh moved that SENATE BILL NO. 301 (Accounting of funds disbursed to Nome resulting from invalid annexed area by local boundary commission) and SENATE BILL NO. 302 (Appropriating \$40,000 to Nome as a result of invalid annexed area by local boundary commission) be brought up for discussion. Those in favor of the motion were Senators Koslosky, Poland, Ray and Groh. Senator Butrovich recognized the success of the motion and discussion followed. Senator Ray explained that the local boundary commission had made a determination to give certain properties to Nome and then they found they were in error while Nome was collecting city taxes. He said that he thought the responsibility lay on the State of Alaska and that Nome should be re-imbursed.

Senator Butrovich asked what the state's position on this situation was and Senator Ray said he did not know. Some further discussion followed and Senator Butrovich stated that someone from the administration should be called in to speak on the bills. The bills were returned to the file until a later date.

CSHB 549 COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 549 (tuition grants - higher education) was brought up for discussion and Senator Groh stated that since he felt the committee would ultimately act on tuition equalization, they ought to do it now and give AMU as much time as possible to do their planning. Senator Butrovich said that he felt they should vote on that bill when the full committee was present. Senator Ray moved to recess and Senator Groh objected. Senator Ray withdrew his motion. Senator Groh moved that the committee pass out CSHB 549 with individual recommendations. Senator Palmer stated that the longer the legislature leaves AMU hanging the fewer students will enroll. With the limited enrollment, the uni-cost will become that much greater. If AMU does not make it, it will be partially the fault of the legislature. Senator Groh stated that the cost will be \$1,400 per student, and the total cost is \$840,000 for Sheldon Jackson and AMU. He said that he felt it was a workable bill and that he and Representative Wright had some amendments worked out which would take care of both Sheldon Jackson and AMU. Senator Groh asked for the question and Senator Butrovich said there would be a short recess. After the recess Senator Butrovich asked for a vote of those in favor of the bill. Those in favor were Senators Groh, Poland and Palmer. Senator Groh requested that one more vote be taken. Senator Butrovich asked for a second vote. Those in favor of the bill were Senators Koslosky, Poland, Palmer and Groh. Senator Groh then read off his amendments and moved that they be passed out with the bill. In regard to CSHB 549 and the amendments, the committee recommended as follows on the committee report: "do pass" - Senators Palmer, Groh and Koslosky; "no rec" - Senators Ray and Poland; "do not pass" - Senator Butrovich.

Adjourn: The meeting adjourned at 3:30 p.m.

SENATE FINANCE COMMITTEE

June 12, 1972

3:10 p.m.

Present: All members; Warren Endicott, ADP; John Carter, ASEA; Pat Hunt, Personnel; Sig Strandberg, Local Affairs, Office of the Governor; Joe LaRocca, ABC; Myrton Charney, Division of Budget & Management.

HB 696 Senator Butrovich called the meeting to order and presented HOUSE BILL NO. 696 (Relating to state data processing activities and facilities) to the committee and stated that Mr. Endicott was present to speak on the bill. He then asked Mr. Endicott to comment. Mr. Endicott stated that the purpose of the bill was to give data processing the necessary tools to provide better service state-wide. He said that at present, however, there is no statutory authority for the bill. Senator Ray said that he had reviewed the bill and the need for it and he could not see anything wrong with it and that he felt it was more or less a "housekeeping" measure. Senator Ray then moved that the bill be passed out with a "do pass." Senator Butrovich said that there was no question but that the state will continue to remain in data processing. Mr. Endicott said that either 50% or 100% federal money would be provided and that each state agency would have their own system to help keep it centralized. Senator Ray asked for the question and asked unanimous consent that the bill be passed out with a "do pass." All members voted "do pass." Senator Butrovich thanked Mr. Endicott for appearing before the Senate Finance Committee.

CSHB 609 COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 609 (general obligation bonds, University of Alaska, \$34,200,000) was brought out for discussion and Senator Butrovich explained that this was the bonding package for the University of Alaska and that the governor had introduced HB 513 for \$11.5 million for capital improvements for the university. Then the House Rules Committee introduced a CS for HB 609 for \$34 million for the university and Senator Butrovich had asked the staff to prepare another CS putting the figure back to what the governor desired in HB 513. Senator Palmer had a question on possible over-lap between the capital portion of the budget and some of the money in this bill and Mr. Charney answered that some of the money was more than likely the same, and Senator Butrovich reminded them that neither one had been settled yet and that if this bill passed, the capital portion in the budget would be knocked out. Further discussion on the subject followed and it was settled that if problems arose they would be solved in free conference. Senator Palmer moved that CSHB 609 with SCS be passed out with individual recommendations. Senator Butrovich asked for a vote. Senators Butrovich, Lewis, Groh, Palmer and Koslosky voted "do pass," and Senators Ray and Poland voted "do not pass unless amended."

CSHB
32 am

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 32 am (Pay increments for state employees) was brought up for discussion. Senator Butrovich asked Mr. Hunt to speak on the need for the bill. Mr. Hunt said that last year the Division of Personnel felt that things were going very well and that that position is still valid and holds today. However, he said that the effective bargaining bill will change things and wondered why it should be in the law. He said that he would like to see this "put on the table" so that an acceptable compromise can be arrived at. Senator Ray, asking Mr. Hunt not to consider his comments malice, said that they had been talking about this problem ever since he (Senator Ray) had been in the legislature and that nothing had been done even though Mr. Hunt said they were working on it. Senator Ray said he felt a lack of enthusiasm on Mr. Hunt's part and said that if the delay was a result of Mr. Hunt's personal decision he would like to know. Mr. Hunt replied that he did have personal feelings about any longevity bill, and said that he would agree if equal benefits are not given to people who have or have not been promoted. He said that there are two sides to the question, regardless of the fact that nothing has been done. Senator Ray said that the answer was not good enough; he would not believe that the state employees would come out and strike the state because they were not being promoted, and he felt Mr. Hunt was taking advantage of that position. Senator Palmer said that if, for instance, highway crews decide to strike and there is no way to get snow from the highways, he will certainly be sorry to have passed any legislation dealing with bargaining position. Senator Butrovich asked what bargaining had to do with CSHB 32 am, and Mr. Hunt answered that passage of the bill would naturally provide bargaining between the employer and the employee. Senator Ray said that since statehood and the merit system, the real crux of the issue was that the older Alaskans were not promoted because of educational status. Senator Groh asked if this bill proposed to pay more to a man who moves to step F and can't get promoted and Senator Ray said yes. Senator Ray then asked Mr. Hunt if he were speaking for the administration and the governor and Mr. Hunt said that he spoke for the administration but he was not sure about the governor.

Senator Groh asked if those individuals in step F could not be reclassified and Mr. Hunt said that they could compete in an examination and in some cases be reclassified. He said that sometimes people move to another section of the state to receive higher pay, but that that is what it is all about. Discussion followed as to whether or not a man in step F would actually be "frozen". Senator Ray commented that the college student with the educational requirement has an open road to the top. Mr. Hunt retorted that even though some appear to be "frozen" they stay because they feel comfortable in their jobs and like the area, or they do not wish to be given extra responsibility or work, and Senator Ray said that they would have to be in the minority because it is certainly money that buys bread. Senator Groh noted that the salary scale

for state employees is definitely not low in comparison to private business salary. Mr. Hunt ended his testimony by saying that there are those who are absolutely and educationally "frozen" but they are in the minority.

Senator Butrovich asked Mr. Carter to speak on the bill. Mr. Carter said that he was familiar with the need for the bill and went on to say that there are 18 1/2% in the F step who are frozen. He said that it is a difference in philosophy when Mr. Hunt said that anybody in a classified position can go higher. But he felt in reality, that that is not true. For example, an equipment operator can only go to foreman and since there are many equipment operators and only a few foremen, he finds it extremely difficult to move up. He continued by saying that this situation of being frozen in a state job and not receiving more pay has caused the biggest morale problem state employees have today. The only pay raise these people get is when the legislature approves a general raise. He said that incentive must be given to those people who are in step F and who know their job very well, to stay. He said that CSHB 32 am would provide that incentive; and according to the bill, those who do not have good evaluations will not receive the bonus. Senator Groh asked what percentage of the evaluations are not good and Senator Ray answered about 4%.

Mr. Carter said that the members of ASEA have all voted this issue as the # 2 priority under retirement. He said that he felt the administration is ignoring a morale problem, and he added that he felt the older workers are the better ones and that they are more willing to accept and adhere to their responsibilities. Senator Butrovich asked Mr. Hunt if he wished to add anything to the testimony and Mr. Hunt said that a couple of years ago they had a list of names of people in step F where there were other jobs in other parts of the state. These people did not want to transfer. He added that they have trouble getting people from other parts of the state to come to Juneau to work because of the closer supervision. Senator Ray pointed out that its difficult for a family person to pick up and move to another town.

Senator Lewis moved that the bill be moved out with individual recommendations. The committee signed the report as follows: "do pass" - Senators Butrovich, Palmer, Koslosky and Ray; "do not pass" - Senator Lewis; "no rec" - Senators Poland and Groh.

SB 301
SB 302

Senator Butrovich presented SENATE BILL NO. 301 (Accounting of fund disbursed to Nome as a result of invalid annexed area by local boundary commission) and SENATE BILL NO. 302 (Appropriating \$40,000 to City of Nome as a result of invalid annexed area by local boundary commission) for consideration and announced that Mr. Sig Strandberg from the Local Affairs Office would speak on the bills. Both Senator Ray and Mr. Charney stated that it would appear that Nome has money coming to them as a result of a mistake made by the local boundary commission. Mr. Strandberg stated that it began

when a request was submitted to the legislature and the legislature did not disapprove it; it became law. Nome received an annexed area from the local boundary commission. The United States Smelting Company contested this to the superior court in Alaska and lost their case. It was appealed to the supreme court and the supreme court ruled that the local boundary commission did not establish standards to guide boundary change for the legislature as required by the Alaska statutes; the Nome annexation was invalidated. As a consequence the taxes paid on the protest by the U. S. Smelting Company became returnable to the company. The \$40,000 figure is rough and was arrived at to cover court expenses and the cost of the area-wide tax charged on the invalid annex. Senator Butrovich agreed that it appeared the state had made a mistake. Senator Poland moved that both SB 301 and SB 302 be put out with a "do pass." All members voted "do pass."

CSHB 552 Senator Butrovich introduced COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 552 (Creating a Department of Community and Regional Affairs) and asked Mr. Strandberg to speak on this bill also. Mr. Strandberg stated that this bill proposed to consolidate the agencies within the Office of the Governor and the Alaska State Housing Authority into a new department. He went on to say that the Local Affairs Agency is working with the Division of Budget and Management and have drawn up an organizational chart to accompany the bills. Senator Palmer commented that in actuality they would be spending \$1/4 million the first year to do what they are already doing now. Senator Ray asked if the governor favored the bill, and Mr. Charney answered that he had "acquiesced" on the matter. Mr. Strandberg added that the governor does endorse the proposal as it stands now. Senator Ray said he was prepared to carry the bill and that he would support the governor, and he moved to put the bill out with individual recommendations. Those in favor of bringing the bill out were Senators Koslosky, Poland, Ray and Butrovich. Senator Butrovich passed the bill around for signature and Senators Ray, Poland and Koslosky signed "do pass," and Senators Palmer and Groh signed "do not pass." Senator Butrovich voted "no recommendation."

Adjourn: The meeting adjourned at 4:40 p.m.

SENATE FINANCE COMMITTEE

June 13, 1972

11:15 a.m.

PRESENT: All members. Mr. Ron Lind from Budget and Management was present. Mr. Steve Weiner of Associated Press and Mr. Joe LaRocca of the press were also present.

Chairman Butrovich called the meeting to order.

HCR 28 The committee considered HOUSE CONCURRENT RESOLUTION NO. 28 (Relating to leases from the Alaska State Housing Authority).

Senator Lewis suggested the Pioneer Homes be put under General Obligation bonds, rather than be directed to Alaska State Housing Authority.

Senator Koslosky stated that the General Obligation bond route would take at least two years. He added that the Commissioner of the Department of Administration felt that by going through the Alaska State Housing Authority, the total cost would be much less.

Senator Poland asked if it were possible to amend the resolution and delete the \$7 million. Senator Lewis said no; but it was possible to "amend out" the \$7 million from the General Obligation bonds. Senator Poland pointed out that Fairbanks needs the Pioneer's Home wing now, and the General Obligation bond route would cause a delay of approximately two years.

Senator Butrovich stated that when the bill was introduced last year, the Governor requested that action be delayed until the present in order to put it on a General Obligation bond. Senator Butrovich felt the Governor's idea was correct.

Senator Ray concurred and moved that lines 22 and 23 be deleted from HCR 28. The question was called for: those in favor of the motion were Senators Poland, Koslosky and Ray; and the motion failed.

Senator Palmer then moved for the General Obligation bond route with an additional two projects. The question was called for: Senator Palmer was in favor of the motion; and the motion failed.

Senator Lewis then moved that the committee accept the General Obligation bond route and add three projects. The question was called for: those in favor of the motion were Senators Groh and Lewis; and the motion failed.

The committee decided to reconsider HCR 28 at a later time.

HB 798

The committee then considered HOUSE BILL NO 798 (An Act appropriating to the Alaska court system for the purchase of certain parcels of real property in the City of Anchorage; and providing for an effective date).

Senator Butrovich pointed out that this was a priority bill. It was decided that the committee would hold any action on the bill until members of the committee had discussed the bill with the Administration and had reported back to the committee. Senator Groh stated that he had a great deal of correspondence regarding the bill and would make copies available to committee members.

HB 782
am

The committee then considered HOUSE BILL NO. 782(am) (An Act relating to the Alaska business license tax on national banks and state banks, trust companies and savings and loan associations).

Senator Groh explained that SENATE BILL NO. 276 (An Act relating to the Alaska business license tax on national banks and state banks, trust companies and savings and loan associations) was introduced before HB 782, and was considered by the Commerce Committee. The bill called for an increase in tax from two per cent to six per cent on banks. HB 782 was then introduced in the House of Representatives and amended the increase from six per cent to eight per cent. The bill was passed. Senator Groh stated that the Rules Committee has some proposed amendments to the bill. In response to Senator Butrovich, Senator Groh stated that the interest bill passed the House with two amendments. Senator Groh felt that the work done by the Senate Commerce Committee reflected that there should be an increase in the bank tax rate because it has been held at two per cent since 1960. He suggested that the staff obtain the amendments on SB 276, and then reconsider HB 782(am) at a later time.

Senator Ray then asked that the committee consider

Committee Substitute for HOUSE BILL NO. 554 (An Act providing for the issuance of general obligation bonds in the amount of \$24,000,000 for the purpose of paying the cost of capital improvements for civic, convention and community recreation centers and sports facilities). for discussion purposes only.

Senator Butrovich stated that he thought a Senate bill existed with the same title. Senator Ray explained that the Senate bill was only for sports facilities (the dome stadium bill). Senator Ray stated that last year money was appropriated for studies for community sports facilities. Several cities received state aid for the feasibility studies. Since that time the state had received additional applications from smaller communities wanting smaller facilities. Senator Ray stated that this situation fell under a 50:50 match with the state and local community. He said the state share of the probable facility already reaches \$9.2 million for the major area and seven smaller areas. Senator Ray pointed out that if there are an additional seven communities desiring such facilities, the cost could total \$1.335 million of the state share. He said the amount would take care of all sports facilities and community recreation centers of the state. Senator Ray then suggested that the bill be amended from \$23 million to \$11 million.

Senator Palmer stated that other communities may be making requests in the future, and with this vehicle, the state would have a difficult time saying no. Senator Ray said it was possible to put more money in, but pointed out that it would be difficult for the very small communities to come up with their 1/2 share of the match.

Senator Groh stated that the cause of confusion with this bill is due to the two items together: sports facilities and convention centers. He said the committee does not know what the figure for the convention centers is yet, but was to have been the difference between this bill and HB 798 which had not yet passed the House.

Senator Ray said the bills would provide a facility for sports with seating for 15,000. The unit would be a multi-purpose one, and smaller communities would not need convention centers. He said he didn't think it was possible to ask for sports facilities and convention centers.

Senator Groh then asked what Senator Ray's suggested figure was: Senator Ray replied \$11 million. Senator Palmer suggested \$20 million, stating that the cost will rise.

ADJOURN: The meeting adjourned at 11:55 a.m.

SENATE FINANCE COMMITTEE

June 14, 1972

10:50 a.m.

Present: All members except Senator Groh and Senator Lewis.
Mr. E. Wilson, Deputy Commissioner of the Department of Commerce; and Mr. M. Charney, Budget and Management were also present.

HB 757

Senator Butrovich called the meeting to order and said the committee would hear testimony pertaining to HOUSE BILL NO. 757 (Amending Ch. 105, SLA 1964 disaster bonds for damage caused by 1964 earthquake).

Mr. Wilson explained that this legislation will enable ASHA to qualify for funds designated for the 1964 earthquake in Anchorage. He said he had requested Mr. George Briggs, ASHA, to appear before the committee and that he would give a more detailed explanation.

Mr. Steve Weiner, Associated Press, and Mr. George Briggs, ASHA, entered the meeting.

Mr. Briggs explained that the West Chester Project was in operation prior to the earthquake. He said that most of the land had been purchased and as a result of the earthquake the land sank and became tidelands. When this happened the resale dropped to \$0. The cost to Anchorage increased by 25 percent of the estimated resale value. Mr. Briggs said that passage of this legislation will enable the City of Anchorage to share in the earthquake legislation. In answer to Senator Palmer, Mr. Briggs said that this will provide a means of closing out this project.

Senator Butrovich asked how much funding is needed. Mr. Briggs said he thought this was around \$50,000. Senator Palmer said then this money will go to ASHA but will actually provide matching funds to the federal government. Mr. Briggs said that the City of Anchorage will be the ultimate recipient. Senator Butrovich noted that this money is simply to complete a project that is not going to be. Mr. Wilson added that this gives additional funds to close out the program. Senator Butrovich asked if they would take this funding to "throw" into another project. Mr. Wilson said no.

In answer to Senator Ray, Mr. Briggs said that what this amounts to is that Anchorage will "take a less share of the beating." Instead of paying 25 percent they will pay 10 percent like the other cities that suffered because of

the earthquake. He added that had the project been a result of the earthquake there would be no problem as the law covers this. HB 757 would adjust the legislation to cover this situation.

Senator Palmer moved and asked unanimous consent that HB 757 pass from committee with individual recommendations. No objection, so HB 757 passed from committee with three "do pass" and 2 "no recommendation" votes (Senators Butrovich, Koslosky and Palmer voting "do pass"; Senators Ray and Poland voting "no recommendation").

Mr. Briggs and Mr. Wilson left the meeting.

HCR 28am The committee then considered HOUSE CONCURRENT RESOLUTION 28 am (Relating to leases from the Alaska State Housing Authority). Senator Ray read proposed changes to this bill. The committee decided to have a committee substitute prepared which would contain these changes. Senator Palmer moved and asked unanimous consent that SENATE COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION No. 28 be adopted in lieu of HOUSE CONCURRENT RESOLUTION 28 am and that it pass from committee with a "do pass" recommendation. No objection, so ordered. (All members present signing "do pass".)

CSHB 554 Senator Ray moved and asked unanimous consent that the committee consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 554 (\$24 million G.O. Bonds to pay cost of capital improvements for civic, convention and community recreation centers and sports facilities). No objection, so ordered.

Senator Ray read a proposed amendment to the bill. The committee decided that this should be prepared as a Senate Finance Committee Substitute. Senator Ray moved and asked unanimous consent for the adoption of the Committee Substitute. No objection, so ordered. Senator Ray moved and asked unanimous consent that SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 554 pass from committee with individual recommendations. No objection, so SCS CSHB 554 passed from committee with all members present signing "do pass" except for Senator Poland who signed "no recommendation" and Senator Palmer who signed "do not pass".

HB 798 Senator Ray moved and asked unanimous consent that the committee consider HOUSE BILL NO. 798 (Appropriating to the Alaska Court System for purchase of real property in City of Anchorage). No objection, so ordered.

Senator Ray read the fiscal note on HB 798 (see bill file) and explained that this will provide parking for the Anchorage Court House. After a brief discussion, Senator Ray moved that HB 798 pass from committee with individual recommendations. There was no objection, so HB 798 passed from committee with 2 "do pass" and 3 "no recommendation" votes (Senators Butrovich, Ray and Poland signing "no recommendation" and Senators Koslosky and Palmer signing "do pass").

Recess: Senator Ray moved for a recess until a call of the Chair and the meeting recessed at 11:30 a.m.

SENATE FINANCE COMMITTEE

June 15, 1972

10:30 a.m.

PRESENT

All members with the exception of Senator Lewis and Senator Groh. Senator Ron L. Rettig was present. Mr. Robert Thomas and Mr. Robert Isaac from the Department of Education, Mr. Myrt Charney from the Department of Administration, and Mr. Steve Weiner from the press were also present.

Chairman Butrovich called the meeting to order.

CSHB 640
(fin) am

Committee Substitute for HOUSE BILL NO. 640
(An Act providing for the issuance of general obligation bonds in the amount of \$17,680,000 for the purpose of paying the cost of acquiring, constructing and equipping state-operated schools; and providing for an effective date) was considered by the committee.

Mr. Thomas said the Department of Education favored this bill for two reasons: 1) secondary students would not have to be sent to out-of-state schools, and 2) the financial aspect would be beneficial in that adequate programs could be provided for much less than what it presently costs to use the boarding home and dormitory approach.

Mr. Thomas said there was a cost of \$6,000 per pupil per year in the dormitory set-up: \$2,000 for education cost, and \$4,000 for the domiciliary area.

The cost of the boarding home program in the larger communities was \$1,500 - \$2,000 per pupil. \$2,000 must be added on to that amount for the boarding parents stipend. Mr. Thomas mentioned leaving open the option for students with special needs to go into the boarding home program. Mr. Thomas again emphasized the savings in operational cost provided by the bill, and the strong parental desire to have the children educated in their own communities.

Senator Ray asked if there was a chance of getting any federal rebate since the federal government presently pays outside tuition cost for Alaskan secondary students. He stated that with this bill, the state is "wiping out" federal support. Mr. Thomas said that was not necessarily true.

Discussion followed on the addition to the Bethel dormitory. Mr. Thomas said he was not aware of any future addition to that facility. Mr. Guthrie stated that the addition had already been constructed but was not yet open for use.

Mr. Thomas said that a decision is needed concerning what BIA's continued financial support will be. He said the state will pick up more of the "tab" as federal regulations get tighter.

Senator Palmer asked if the state had enough areas which need secondary schools that are state operated to warrant the \$17.6 million. Mr. Thomas said yes.

In reply to Senator Butrovich, Mr. Thomas said that if the bill passed, additions would be made to already existing schools; no complete facility would be built to replace an existing school.

Senator Ray asked what figure would be supported in bush schools. Mr. Thomas said that if they were restricted to state bush schools, \$12 million would be adequate for the following: Noorvik, Selawick, Togiak, Angoon, St. Paul, Sand Point, Galena, Nulato, and Point Hope. Mr. Thomas mentioned that Angoon has no particular interest in having a secondary school.

Mr. Isaac explained that Sand Point needs just a supplemental facility. He added that there is a current project for Nulato replacing their former elementary school and providing for grades beyond that. The project is presently underfunded. Mr. Isaac said that the project will probably go back for redesign, and if the bill passes, whatever was provided for Nulato would be only supplementing the present project. With the passage of the bond issue, the entire project could be completed at the same time if the current project is redesigned.

Senator Ray asked what schools and cost the House has added in this matter, and how did they reach the figure \$17.6 million. Mr. Thomas

said the Department of Education did not know which schools the House had added, but presumed they were those with the larger number of students: Gambell - Savoonga, Hooper Bay, Emmonak, Chevak, and Unalakleet.

Discussion followed on the Chevak facility. Mr. Thomas said that BIA is trying to reprogram funds for Chevak. He said the cost to replace the elementary school facility was \$3.5 million, but it was possible to create a total plant which would include the elementary and secondary schools for \$2.6 or \$2.7 million.

Mr. Isaac said that Unalakleet has a good elementary school now, and in other legislation, there is a proposed model high school for the area. Mr. Isaac felt that a model school in just one location may be a mistake. He added that many recommendations the Department of Education makes for high schools in bush areas are dependent upon standardized plans. Mr. Isaac said studies are presently being done regarding open classrooms, etc., but 20,000 square feet is the maximum amount of area they can recommend to house students. Mr. Isaac pointed out that the elementary school in Unalakleet is under BIA which is programming now to bring in a high school.

Mr. Thomas said that if BIA has current responsibility over schools and certain projects, the Department of Education wants to "keep hands off".

In response to Senator Ray, Mr. Thomas said that some legislators have spoken to the Commissioner of the Department of Education concerning this matter, but the Commissioner has not said what transpired during the talks. Mr. Thomas said that officially, they do not support the matter because "they don't know anything about it".

Senator Butrovich then asked if there was a parochial high school in Unalakleet. Mr. Thomas said yes. Covenant High School draws students from the surrounding area as well as those children from Unalakleet. The school would expand their area if additions were made.

Mr. Thomas stated that he did not know how the House had arrived at a figure of \$17.6 million. He said that he was not sure which schools were

considered in this plan, although the Department of Education was asked for the enrollment of elementary schools.

Mr. Thomas declared that the department's priority lay with state schools first, and then if funds were still available and BIA was not meeting its responsibility, the department would have an obligation to step in. He added that lack of construction funds prevents BIA from meeting its responsibility.

In response to Senator Ray, Mr. Thomas said that Emmonak elementary students go to St. Mary's Boarding Home. He said there were approximately 60 high school students in Emmonak. Senator Butrovich said that transportation back and forth would be provided by airplanes during the school year when the river was frozen over.

Senator Palmer then asked Mr. Thomas if the language of the bill should be pinned down to those areas presently state operated. Mr. Thomas said the department prefers flexibility.

Senator Butrovich asked if there was any change needed in the bill to accommodate the department. Mr. Thomas said no.

Senator Ray asked Mr. Thomas what projects would be constructed if the committee were to reduce the \$17.6 million figure to \$12 million. Mr. Thomas said that the BIA schools would have the least priority. He said it was possible that if the state took over a BIA school, the school may be considered for their high priority list. Mr. Thomas again pointed out that until there is a general philosophy regarding BIA's responsibility, the department will restrict itself to state-operated areas.

Mr. Thomas said that using standardized plans, \$1.5 million for the nine schools would be an average figure. He added that \$16 million would leave enough for some BIA schools. Mr. Thomas then stated that he would recommend \$12 million.

Senator Ray then moved and asked unanimous consent that CS HB 640 (fin) be passed from committee, recommending a "do pass" with attached amendments:

Page 1 Lines 7,14,25

Delete "\$17,680,000" and insert "\$12,000,000".

Page 1 Line 28

Delete "\$56,000" and insert "\$42,000"

Page 2 Lines 11, 13

Delete "\$17,680,000" and insert "\$12,000,000"

No objection, so ordered.

[Mr. Thomas and Mr. Isaac left the meeting.]

The committee then briefly considered HOUSE BILL NO. 782 am (Alaska business license tax on national banks and state banks, trust companies and savings and loan associations). Due to an error during the transfer of the bill to Senate Finance (the original bill was in committee, and not the amended version), it was decided to consider the bill again at a later time when the mistake had been corrected.

The meeting adjourned at 11:25 a.m.

6/15/72

SENATE FINANCE COMMITTEE

June 16, 1972

9:05 a.m.

Present: All members with the exception of Senator Groh; Steve Weiner, AP; Kent Sturgis, AP.

HB 782 Senator Butrovich brought the meeting to order and presented HOUSE
am BILL NO. 782 am (Relating to Alaska business license tax on national
banks and state banks, trust companies and savings and loan associations. Senator Ray moved that the committee sign it "do pass" with the amendment. All members signed "do pass" with the amendment. Senator Groh signed likewise later. Senator Lewis then left the meeting.

HB 718 Senator Butrovich brought out HOUSE BILL NO. 718 am (Creating the
am law of the sea commission) and asked for comment from the committee. Senator Palmer stated that U.S. congressmen Pollock and Stevens would like some representatives from Alaska to go to the Geneva Conference. Senator Poland moved that the bill be passed out with a "do pass." All members voted "do pass." Senator Groh signed likewise at a later time.

Recess: The meeting recessed at 9:45 a.m.

AFTER RECESS
June 16, 1972
4:35 p.m.

Present: All members; Myrton Charney, Ron Lind and Bob Jacobs from Division of Budget and Management; Bob Thomas, Deputy Commissioner of Department of Education.

HB 506 Senator Butrovich brought the meeting to order and presented HOUSE BILL NO. 506 (Supplemental appropriation to Alaska Broadcasting Commission) to the committee for consideration. Senator Ray moved and asked unanimous consent that the committee put the bill out with individual recommendations.

Mr. Jacobs made a statement about federal funds being in error, and Senator Butrovich asked if the funds were supposed to come as federal funds but did not. Mr. Jacobs said that was right. He went on to say that the money cannot be received by the state but by the local broadcasting corp. The legislature last year appropriated the money to the Department of Education but it (\$37,500) could not be used. He said that there is some contention as to what happened in free conference last year; some say the Department of Education asked to have the money left in their budget and some say they wanted it taken out.

Senator Ray renewed his motion to pass the bill out with individual recommendations. Senator Butrovich noted a difference between the fiscal note and the bill. Mr. Jacobs said that it was for a broadcasting engineer and that it was done on a control basis by a man named Franklin Noot. Senator Ray commented on Mr. Noot's competency and moved again that the bill be passed out with individual recommendations. Senator Butrovich passed the bill around for signature. Senators Butrovich and Ray voted "do pass," and Senators Lewis, Groh, Palmer, Koslosky and Poland voted "no rec." Senator Ray will carry the bill on the floor.

HB 669 HOUSE BILL NO. 669 (School construction debt) was brought before the committee and Senator Butrovich asked Mr. Thomas to speak on the bill. Mr. Thomas began by saying that this bill would remove the double deduction of the cigarette tax from the debt provisions. This was proposed last year and no action was taken. This year they made the bill the same. He said that if the double deduction is deleted, they will have a shortfall in bond foundation and transportation; if the bill goes before 7/1/72 they will be short \$717,000, and if after that date, they will be short \$90,000. The Attorney General's Office notified them that case payments dating back 10 years were includable. He thought that maybe the actual payments could be made larger than \$3.6 million.

Senator Palmer asked how the double deduction works, and Mr. Thomas said that it reduces debt service interest to a local expenditure.

Senator Ray asked if they pro-rated the debt retirement but have never had it fully funded, and Mr. Thomas said that it would be pro-rated at 82%. Senator Palmer clarified that by saying that they would be able to pay 82% of the 50% of the current claim, as it was originally to be a 50/50 deal.

Senator Palmer asked who it would benefit and Mr. Thomas said those places which have built their own schools. Senator Lewis pointed out that in that case, the larger cities would be the only places benefited. Senator Butrovich asked why the bill was put in in the first place and Mr. Thomas answered that it came about at the same time that the revenue sharing act came about when there was a strong move to put the burden of schools on the state and relieve the taxpayer on the local level. He said this bill would do the same thing; it would relieve part of the debt service.

Senator Butrovich stated that it would cost more each year. He asked Mr. Thomas if the way the tobacco tax is now leaves a surplus and Mr. Thomas said it would not but all the collections are automatically appropriated. Senator Butrovich asked if in that case, it would come out of the general fund and Mr. Thomas answered yes.

Senator Groh asked if the Department of Education was in favor of the bill and Mr. Thomas said that it probably was from the standpoint of easier school construction.

Senator Palmer moved that the bill be passed out with individual recommendations. Senator Butrovich asked Myrton Charney for comment. Mr. Charney wished to point out the the fiscal note in the file is for FY '72 only and it does not show that they will be short on the transportation and foundation programs. He said it will hurt those districts that do not have a debt service. Senator Butrovich asked what would happen if the bill did not pass, and Mr. Thomas said they would receive only 82% of their claims. There was a brief discussion on the original intent of the legislature. Senator Lewis moved that the bill be brought out with individual recommendations. Senators Lewis, Palmer and Koslosky were in favor of the motion; the motion failed and the bill was returned to the file. Senators Lewis and Palmer left the meeting.

CSHB 499 Senator Butrovich brought COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 499 (Funding of regional corporations by the state. Loan fund) before the committee and asked Senator Ray to explain the bill. Senator Ray said that this bill provides for the loaning of the administrative costs to those native organizations that have not yet formed into corporations. \$50,000,000 has been allocated by the federal government to provide for money assistance to those corporations and the deadline to receive this is 7/1/72. This allows getting money from the state guaranteed pay back loan to put up the administrative structure to be a corporation in order to receive federal funds. He said the limit on it would be \$250,000 per corporation. Senator Ray moved it out with individual recommendations, and Senator Butrovich asked if he and Senator Groh

were prepared to carry the bill on the floor should it pass; they replied that they would. A vote was taken and Senators Ray, Groh, Poland and Koslosky voted "do pass." Senator Butrovich voted "no recommendation."

HB 792 HOUSE BILL NO. 792 (Leave for state employees) was presented to the committee. Senator Groh moved and asked unanimous consent to send it out "do pass." Senator Butrovich asked how many members were in favor of moving it out "do pass" and all members present were in favor and voted "do pass."

Adjourn: The meeting adjourned at 5:40 p.m.

SENATE FINANCE COMMITTEE

June 17, 1972

11:30 p.m.

Present: All members with the exception of Senator Palmer; Joe LaRoccs, ABC; Kent Sturgis, AP.

CS HCR
4 am

Senator Butrovich brought the meeting to order and stated that the committee would again take up COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 4 am (Relating to leases of space from the Alaska State Housing Authority) as some members from the House and some members from the Senate had recently spoke with the governor and that they had come to a compromise on the bill; he then asked Senator Ray to explain. Senator Ray stated that the new proposal for CS HCR 4 am was now \$11,400,000, and he said that the governor was in agreement with this figure. Senator Butrovich wished to make clear that he had nothing to do with this bill.

There was some discussion as to how the figure would be kept at \$11,400,000 and Senator Ray said he would not vote on the bill until all senate finance committee members were "locked in blood" on it. Senator Butrovich asked the committee if they would vote against any kind of amendment or substitute on the figure. All members concurred and agreed.

Recess: The meeting recessed at 11:40 p.m.

AFTER RECESS
June 17, 1972
12:05 p.m.

Present: All members; Joe LaRocca, ABC.

HB 513 am Senator Butrovich brought the meeting to order and presented HOUSE BILL NO. 513 am (General obligation bonds - University of Alaska) to the committee. The committee agreed on an amendment, amending all \$20,000,000 figures to \$22,000,000, and all \$70,000 figures to \$77,000. On line 25, "governor" was changed to "board of regents." Senator Ray moved and asked unanimous consent that the bill be moved out as CSHB 513 am with a "do pass." Those members voting "do pass" were Senators Groh, Koslosky and Ray. Senator Palmer voted "no recommendation," and Senators Butrovich and Lewis voted "recommend reduce to \$11 million."

CS HCR 4 am COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 4 am (relating to leases of space from the Alaska State Housing Authority) was brought before the committee. Senator Palmer suggested that the committee kill the bill for the present as it seemed obvious that no construction would get started this year. Senator Ray moved that the bill be put out with individual recommendations. Those in favor of moving the bill out were Senators Butrovich, Groh, Ray and Poland. Senator Groh stated that page 2 would have to be amended because Pioneers Homes had already been acted upon, and he moved that a finance committee amendment be made to delete the pioneers homes. No objection, so moved. Senator Lewis moved that the committee table the bill. Senators Palmer and Lewis were in favor of the motion; the motion failed. Senator Groh explained that he would vote against the bill on the floor but saw no reason to kill it in the finance committee. Senator Butrovich passed the bill around for signature and it was reported out as follows: Voting "do pass" was Senator Ray. Voting "no recommendation" was Senator Poland. And voting "do not pass" were Senators Butrovich, Lewis, Groh, Palmer and Koslosky.

Adjourn: The meeting adjourned at 1:00 a.m.

JOINT MEETING
SENATE AND HOUSE FINANCE COMMITTEES
January 18, 1972
1:45 P.M.

Present: Members of the Senate and House Finance Committees; R. D. Stevenson, Deputy Commissioner, Department of Revenue; William B. (Skip) Shaw, Jr. Portfolio Manager, Bank of America; J. Daugherty, Director of Treasury; Lawrence Eppenbach; Paul G. Sullivan; Dick Alexander; Robert Gates; State Investment Officers, Department of Revenue; Richard W. Freer, Deputy Commissioner; Myrton R. Charney, Director, Division of Budget & Management, Department of Administration; and interested members of the Senate and House.

Mr. Hohman called the meeting to order and introduced the members of the House Finance Committee; Senator Butrovich introduced the members of the Senate Finance Committee.

REVENUES Mr. Stevenson introduced the gentlemen present to testify and noted Mr. Eric Wohlforth, Commissioner, Department of Revenue, was absent due to illness. Mr. Stevenson distributed a package containing a portfolio from the Bank of America and documents prepared by the Department of Revenue, updated to December 31, and briefly described the contents. (See department file.)

The Bank of America prepared two booklets, and Mr. Shaw explained that the red book covered activities of proceeds from the North Slope oil sale, excluding about \$10 million which was recently sent to four Alaskan banks, and the blue book covered activities with respect to assets solely under Bank of America control. Mr. Shaw explained the information presented in the red book page by page, with the following additional comments:

Page 4 - Composition of Investment Holdings - The Weighted Average Yield to Maturity Total figure of 5.99% applies only to the purchase price of securities, and does not cover entire earnings such as capital gains. The investment agency has realized a return of 10.2% during the period from December, 1970, to December, 1971. Senator Butrovich asked how this corresponded to the figure at the end of 1970 and Mr. Shaw replied it was higher in 1970 than in 1971, and would give a recap of developments later.

Page 5 - Appraisal as of December 31, 1971 - Senator Rettig noted the market above cost figure is approximately \$3 million over November, and Mr. Shaw said it was actually a net improvement of about \$4 million. He continued, saying the market value column exceeded the scheduled value by about \$3 million from the November report.

Page 6 - Appraisal of Principal of Marketable Holdings as of December 31, 1971 - Chart is incorrect, and a corrected copy will be sent.

Mr. Warwick asked when securities were sold and capital gains realized and Mr. Shaw replied it was a continuing process, in anticipation of cyclical rises. In answer to further questions from Mr. Warwick, Mr. Shaw explained that interest rates have declined in all months since mid-August, except for November when a slight rise occurred. The near term of the market should be based almost entirely on the policies the Federal Reserve pursues. In 1972 interest rates should climb again, the economy will start rolling, and the Federal Reserve will have to start restricting its policy. It is difficult to forecast accurately due to the political situation, since politics plays an important part in economic developments. In the second half of 1972 interest rates should begin to pick up, rekindling inflationary fears.

Mr. Shaw stated that during December \$20 million was transferred to the state for operating expenditures. Since December 31, \$10 million has been transferred to four Alaskan banks:

- \$3 million to National Bank of Alaska;
- \$4 million to First National of Anchorage;
- \$2 million to Alaska National of Fairbanks;
- \$1 million to Peoples National Bank & Trust Company.

(This transfer is not reflected in the statement from the Bank of America.)

Senator Rettig questioned the wide fluctuation in interest received during the year and Mr. Shaw replied that 40% of the investments in the account are in treasury securities. The coupons fall due on four months during the year, causing interest amounts to be higher in those months. Mr. Warwick said this was not always the case, and Mr. Shaw agreed that since the figures include earnings of other securities there may be exceptions. However, on balance, the highest earning months are February, May, August and November. Mr. Fink added that when a security is sold, the interest would be payable ahead of schedule, adding to the imbalance.

Discussion followed about the North Slope oil account and Mr. Stevenson pointed out that the state has dipped into the principal in the amount of \$83 million. Mr. Shaw noted the cash transaction record reflects all activity in the fund on a daily basis, and the clearing balance is always below \$100,000 in order to keep the fund fully invested at all times.

Mr. Shaw then explained the material covered in the blue book, page by page, listing titles of charts and figures. He noted the state has recently invested in Certificates of Deposit, issued by a bank and subsequently sold into the market place, due to the attractiveness

of yield. Senator Rettig asked what standards are set and Mr. Shaw replied they will not invest in any security CD unless the bank has a surplus in excess of \$20 million. Mr. Stevenson said the Department of Revenue purchased last October \$44.5 million Franklin National Bank CD's because the rate was so attractive, and they will mature very shortly.

Mr. Shaw continued through the blue book and explained in some detail pages 16, 17 and 18, listing "swap" activities from the month of December. He gave two examples, the first in which they had given up yield and temporarily reduced earning power because, at some point in time, this swap will be reversed. By temporarily giving up earning power and reversing the swap later, picking up more in yield, the fund will earn more dollars in the life of a security than had it merely been held. The second example given was to improve yield.

Mr. Shaw concluded detailing the contents of the book, and Senator Butrovich asked if, with declining principal, the fund could possibly realize a higher return per year. Mr. Shaw replied the fund could go into higher yielding securities in the corporate bond market, but would run into problems of liquidity as the average maturity of corporate bonds is 20 years. Senator Butrovich noted the fund could be depleted with the principal decreasing, and Mr. Shaw said he doubted if the fund could earn more than it had earned in the last year.

The question of investment decisions was brought up by Mr. Fink and Mr. Shaw said the Bank of America is in constant contact with the Department of Revenue, three or four times a day. An idea is proposed, pursued or abandoned, but nothing is done without the approval of the state.

A brief recap of the year 1971 and a forecast for 1972 was given by Mr. Shaw: 1971 was a very good year for the bond market, and the decline in yield has been very beneficial to the Alaska fund. A rate of return of 10.2% was earned, with \$23 million realized in capital gains for a total of \$73.1 million earned during 1971. 1971 was a year of only partial economic recovery, with an unemployment rate high of 6.2% during the year and real growth of only 3%. Consumption and expenditures were relatively low, while the savings rate of 8% was high. Strength was in warehousing, construction, state and local government construction and retail sales. Weakness was in low business spending, low inventory accumulation, sluggish loan demand, and low defense spending. The loan demand was very slack. 1971 started to make progress against inflation, and during the year there were two periods of sharp yield fluctuations. During the first quarter the Federal Reserve pursued an accommodative policy to get the economy expanding; as a consequence, interest rates declined. The Federal ease lowered domestic money market rates and effectively lowered rates in the Eurodollar market, resulting in a rapid growth in money supply. Inflationary fears caused the Federal Reserve to

tighten up at the end of March, but it did not have an effect at that time on inflation. The international situation became worse and finally on August 15 Nixon announced a wage/price/rent freeze and a 10% import surtax. Since then, rates have begun to fall. The Federal Reserve in the third quarter reversed policy again, and pursued gradual ease. During the fourth quarter they became more expansive, and the discount rate was cut twice. Foreign central banks purchase of government securities has greatly helped the market, with a \$27 billion increase, or more than enough to finance the Federal debt over the past year. The Federal Reserve is still pursuing a policy of "aggressive ease," and over the near term the direction of the market will be heavily influenced by Federal Reserve activity. Rates should remain stable until the Fed reverses policy.

In 1972 there are many intangibles. There is a possibility of recycling of the dollars held by foreign central banks. During 1971 they, in effect, financed our deficit, which will be equally as large next year, but we will not have the foreign central banks financing our deficit but the opposite occurring. In addition, every agency has a maturing issue in February which will have to be refinanced. Should the economy pick up, the Federal Reserve will have to reverse its policy and tighten up. This will greatly inhibit credit demands and increase interest rates. At some point the economy is going to pick up, as the Administration is committed to it. Inflationary fears will be rekindled, which is the worst thing that can happen to investors in long-term securities. The demands for credit will increase, and the problem will be compounded by recycling of dollars abroad, which will put upward pressure on interest rates. Mr. Shaw concluded by stating they feel this should happen in the first half of the year and, at some point, interest rates should begin to pick up.

Mr. Fink noted the Bank of America does not have the authority to buy or sell without the approval of the state, while the agency accounts do. Mr. Eppenhach said constraints are established in the contract with agency accounts, and reports of the quality of stock purchased are followed closely by Mr. Gates. Mr. Fink then asked if this policy has hamstrung his operations and Mr. Shaw said it had not. Since his involvement in the account early in 1971, all it has taken was a phone call to the Department of Revenue for a quick decision on investment activity.

Recess: The meeting recessed at 3:10 p.m.

AFTER RECESS

3:25 p.m.

Mr. Stevenson referred to the balance of the material presented to the finance committees and asked Mr. Eppenbach to explain the Cash Flow Model and General Fund Balance Analysis (see department file). Mr. Eppenbach described at some length the procedures used by the Department of Revenue for forecasts, and said the department is open to suggestions of what additional or different material should be fed into the computer. Mr. Fink noted the inaccurate projection given last year, and asked if the information presented this year is accurate. Mr. Charney replied the projection last year was based on the recommended budget by the Governor and the appropriation from the legislature was \$6 million less. Senator Butrovich noted the projections were based on an anticipated date of pipeline production, and asked if any future lease sales were used in the projection. Mr. Eppenbach replied they did not anticipate any sales, and there had not been a bonus sale in the past three years. Senator Butrovich then said that if there was a pipeline, the state could assume there would be additional oil lease sales, and Mr. Eppenbach said the issue is how much. Senator Butrovich stated a land sale is no more hypothetical than a pipeline at this time. Mr. Eppenbach said these are program variables, and he would not want to get locked into a base case that is not comfortable, to which Senator Butrovich replied he was not comfortable with this case. Mr. Eppenbach asked Senator Butrovich for his assumptions and the projections could be revised, and Senator Butrovich answered he would not even consider a pipeline at this time.

Mr. Fink questioned the statement of June 30 showing unrestricted general fund revenue of \$233 million as opposed to the projection book figure of \$220 million, to which Mr. Charney replied that cash in transit and receivables are not included in the report. There was a discussion about accounting procedures between Mr. Fink and Mr. Stevenson.

Mr. Fink then asked about the bond sale projections and how these figures are arrived at. Mr. Eppenbach answered the Department of Revenue works with the Department of Administration, and the estimates appear reasonable to the bond committee and the Governor's budget committee. He added, however, that these assumptions are essentially a "core" projection.

Mr. Warwick questioned the non-operating budget expenditures and asked if they will remain the same. Mr. Eppenbach replied this is independently forecast and do not appear in this statement. "Total expenses" includes all general fund expenses.

Mr. Eppenbach repeated the fact that essentially this is a "core" projection, and many uncertainties face major sources of revenue - oil and gas tax, etc. It is unrealistic to assume what the exact amount will be. The picture has not deteriorated since last year and the low point of the fund would be 1977, at which time the fund would begin to move up. When the pipeline, oil revenues, gas revenues, etc., are either in hand or highly probable, the state can begin to spend.

Mr. Stevenson referred to the Monthly Financial Report listing Custody of Cash and Investments with State Treasurer (see department file) and asked Mr. Alexander to explain the status of the bank incentive program, veterans loans, and agriculture loans. Mr. Alexander stated the legislature passed a bill last year requiring the state to purchase all good veterans loans submitted. There was a total of \$1.6 million purchased in 1971, \$4.5 million in 1972, and the Department of Commerce estimates there will be another \$2 million submitted in 1972, for a total of about \$8 million in veterans loans. The rates of return on the older veterans loans are running between 5% and 6%, after servicing the state is netting about 4-1/2% to 5%. About \$550,000 in agriculture loans has been submitted in 1972, and no more are anticipated. Mr. Alexander continued by stating GNMA certificates are yielding 7.20, a very good interest rate, and these certificates are a marketable instrument. All could be sold at a good profit due to the interest rate decline. Agriculture loans run about 5% and all future veterans loans should run 7%.

A general discussion followed on miscellaneous details in the revenue projections; i.e., interest income, campus activity center, carry-overs, purchase orders, etc.

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

JOINT FINANCE COMMITTEES
January 19, 1972
1:45 p.m.

Present: Members of the Senate and House Finance Committees.
Mr. Phil Wall, Administrative Services; Mr. Fred Boetsch, Director of Audit; Mr. R. D. Stevenson, Deputy Commissioner; Mr. L. P. Carroll, Chief, Misc. Tax; Mr. R. W. Kimlinger, Fish and Game Licensing; from the Dept. of Revenue, were also present. Mr. Homer L. Burrell and Mr. O.K. Gilbreth, Division of Oil and Gas, Dept. of Natural Resources; and Mr. Dick Freer and Mr. M. Charney from the Dept. of Administration were also present.

REVENUES Chairman Hohman called the meeting to order at 1:45 p.m.

OIL & GAS Mr. Stevenson requested that the committee consider oil and gas revenue and that Mr. Gilbreth and Mr. Burrell be allowed to testify first.

Mr. Burrell said that a great deal of the forecasting was based on IBM runs and he expressed his appreciation to the Division of Data Processing for their support.

Mr. Fink asked how they had arrived at their projections. Mr. Burrell said that on oil they figured the value of the oil by taking comparable oil on the market and assumed their oil was worth the same amount, then they determined well head value and subtracted transportation cost. He added that in the computer runs they have made allowances for depreciation, cost of transportation and operating cost of the pipeline. They also provided 5¢ per barrel increase per year in refinery cost. He added that they had also read all the material available on this subject.

Senator Palmer said they had heard on the news that certain Mid East countries as a result of the devaluation of the dollar planned to increase their price by 8.6%. He asked what impact this had on the values presented. Mr. Burrell said this would bring the price of imported oil closer to the price of U.S. oil -- the gap is narrowing everyday. Mr. Burrell said that about 10 per cent of crude oil consumed by the U.S. is imported.

Senator Lewis asked about the cost of construction of the pipeline. Mr. Burrell said \$2.5 billion is the most reasonable estimate based on the information available.

In answer to Mr. Fink, Mr. Gilbreth said that the well head price on the North Slope will depend on refinery prices

and the cost to get it to the refinery and the cost of the pipeline. He said their best guess on well head price after considering pipeline tariff and marine transportation would start out the first year around \$2.07 and increase each year up until about 1986 when it will have a value of \$2.86 a barrel and it would eventually drop to \$1.96 a barrel in 1996. Mr. Fink asked if they look at the ICC tariff annually or on the life of the field. Mr. Gilbreth said they had assumed that the tariff would be re-adjusted every two years.

Mr. Gilbreth said they believe there will be a market for the oil in District 5. Based on market for the oil he said they believe there will be a market for virtually all the crude that will go through the line -- 1.7 million barrels per day. Mr. Burrell added that there are some shallower and some deeper pools but they arbitrarily assumed production would be on the pool for which they have knowledge and this is 1.7 million barrels. Mr. Fink said then this is based primarily on one field that they have information on and Mr. Burrell answered in the affirmative.

Mr. Gilbreth said the forecast is a continuing need for crude oil. He added there are transportation problems in getting the crude oil from the west coast to the east coast. He said that if imports are held at the current level they believe there will be enough demand for this oil. Mr. Fink said it appeared to him that the need of District 5 would not be adequate to take care of all this oil. Mr. Gilbreth said that some people have said this but the information from other companies say that they can take all of it.

Mr. Fink asked what they are figuring for tariffs. Mr. Gilbreth said this will run initially from 89¢ a barrel down to a low of 53¢ a barrel in 1986 and up to a high of \$1.36 about 1996. This is just Prudhoe Bay crude, Mr. Gilbreth added.

Mr. Fink said they must also figure annual maintenance and operation and asked how they arrived at this. Mr. Burrell said this is the most difficult figure to arrive at because they have so little information. Mr. Burrell said this figure is 25¢ a barrel operating cost based on 2 million barrels a day. Mr. Gilbreth added that 12¢ a barrel is direct operating expenses and Mr. Burrell said that the 25¢ figure includes depreciation.

Mr. Fink asked about tanker cost. Mr. Gilbreth said they start with 44¢ a barrel as of Sept. 1, 1971 and escalate at 4 1/2 % due to inflation.

Senator Palmer said that the picture as far as tanker versus pipeline is the pipeline will go down because of maximum throughput but because of other costs the tanker cost goes up and may erase any of the benefit because of increased market price. Mr. Gilbreth said no, the market price will go up faster than tanker costs.

Mr. Fink asked if the ICC uses the two year period to establish rates. Mr. Gilbreth said they (the Division) are using the two year period and Mr. Burrell added that the ICC will accept anything as long as it is not protested. Mr. Fink said one approach could be that they charge per barrel based on recoverable reserves. Mr. Gilbreth said in the first few months this would be true, they will establish an average rate and this is how the initial tariff is established. Beyond that the companies submit information on what they think their throughput will be and tariffs should be set accordingly in order to allow permissible profit.

Mr. Fink asked if they have information on what rate the oil should come out of the pool. Mr. Burrell said no. Mr. Fink asked how they make an estimate. Mr. Burrell said the information was given them by the operators. Mr. Gilbreth said it is based on MER (maximum efficient recovery).

Mr. Fink asked if they anticipate the companies will limit themselves to one pool considering the big market. Mr. Gilbreth said he did not think there was any question but what they will develop other pools if there is a market. He added that just for Prudhoe Bay pool they did not anticipate other pools being developed for the initial one year period. He said there probably will be development of these other pools once they have the big pool more developed.

Mr. Fink asked if they expect to go over 2 million barrels in 1980. Mr. Gilbreth said they should get to this figure but not above and if it did go above it would be not significant. Mr. Burrell added there was the possibility of new fields in California. He said there were some variables they were unable to predict. Mr. Fink asked if they thought they would take out more than 2 million once the line was built. Mr. Gilbreth said they have to consider the possibility of a Canadian line by that time.

Mr. Fink asked if they anticipate any North Slope sales before 1980 and Mr. Burrell said probably by 1980.

Mr. Fink asked if they had any evaluation of what the state-owned unleased land is worth and Mr. Burrell said no.

Mr. Fink asked if there was any land the state owns that is not leased that is potentially leaseable. Mr. Burrell said it has speculative value only then said, yes a great deal has potential. Mr. Fink asked if they had any idea of the value of this. Mr. Burrell said no, they have not done any seismic work.

Senator Palmer asked how the state off-shore lands compare with the Prudhoe Bay lands. Mr. Burrell said there is no difference in their comparisons of on-shore or off-shore lands.

Senator Palmer referred to a figure given in the newspaper for the value of off-shore Cook Inlet. Mr. Burrell said this figure was for the attorneys use for the court case at Cook Inlet and was merely a "horse sense" figure.

Mr. Fink asked if they planned lease sales in advance. Mr. Burrell said when the administration makes a decision for a lease sale they ask the division about areas the industry will be interested in. Then this is put up to the industry for nomination to see where the heavy interest lies.

Mr. Fink asked if they anticipate a sale on the North Slope. Mr. Burrell said no, not on the North Slope but there may be a sale on Upper Cook Inlet.

Mr. Stevenson noted the controversial \$6,000,000 figure on page 55 of the Revenue Sources which the narrative did not cover. Mr. Burrell said when they discovered this they went to the Deputy Commissioner, Dale Wallington, of Natural Resources and asked him about it and he said this was the first he knew about it. Mr. Burrell said he was unable to comment on this. Mr. Gilbreth added that they had just found out about it and that Mr. Wallington did not recall it being in there and that it would have been put in by the State Division of Lands.

Senator Palmer asked about the court case at Cook Inlet. He said it should be settled at the first level in 10 days and in the past it has been the policy of the state not to go ahead and hold sales there until a final decision has been reached. He asked if there is any change in this policy or if they would plan an escrow agreement. Mr. Burrell said not that he knew of. He said that the federal government insists on "calling the shots" in an escrow agreement.

Senator Palmer said he felt there would be a tremendous advantage in being able to take the environmental suit through the court simultaneously. Mr. Burrell said he

had been in contact with the Army Corps of Engineers on this and their latest plan is to commence work on the environmental impact statement for Cook Inlet about August and it would take 8 to 9 months to finish but they are now trying to determine whether they can hire a consultant to get on with this job.

In answer to Senator Palmer, Mr. Burrell said they hope a good environmental statement will preclude or delay successful court action.

Mr. Fink said he had heard on the radio regarding the Cook Inlet case that the federal government is saying that it is international waters and Mr. Burrell said yes, the U.S. lays claim to all submerged land to a depth of 600 feet and as far out as it can be developed physically. The federal government claims they own the sub surface, he added.

Mr. Fink said that looking at 1972 compared to 1977 the royalties go up about 5 times and oil and gas severance comes up about 4 times and asked why. Mr. Gilbreth said they have some expiring leases which will result in more royalties and less taxes -- the state will receive 7 per cent more royalty which takes 7 per cent out of the tax category.

In answer to a question by Mr. Fink, Mr. Gilbreth said there is only one lease in Prudhoe Bay granted discovery allowance. He said the state's royalty is 1/8th out of the entire Prudhoe field.

Senator Butrovich asked if they attribute any value to exploratory work going on south of the range. Mr. Burrell said they were not aware of any significant work on the Alaskan side. After a brief discussion, Senator Butrovich said that perhaps they are servicing work being done in Canada from the Alaskan side.

Senator Palmer asked about any new discoveries on the Swanson River field. Mr. Gilbreth said there were no new discoveries -- only some drilling to permit additional drainage.

In answer to Mr. Fink, Mr. Gilbreth said he believed there would be a gas line in at the time the oil line is in based on what the gas companies told them. He added that the thing is to determine how much gas can be produced and sold and the operators don't know.

Mr. Gilbreth said that 40 per cent of the produced gas is considered to be sold at a price of 16¢ per MCF.

Mr. Burrell said there is insufficient gas to make a gas line economic at this time. He said they need a reservoir simulation model to obtain an accurate figure. Mr. Fink said then even though this is in the projections it is indefinite and Mr. Burrell said yes.

Mr. Fink asked when the construction for the pipeline would have to begin to meet their schedule. Mr. Burrell said some time during 1973. Mr. Fink asked if they started construction in 1972, could they move up the projections. Mr. Burrell said yes.

A prediction of tax by years was read by Mr. Gilbreth.

Senator Palmer said that they had indicated that District 5 could take the entire amount of oil but the Levy report had disagreed. Mr. Gilbreth said they did not agree with the Levy report and one of the differences is in the level of exports. He said if the present level is maintained there would be a need.

Mr. Fink said they had indicated when they had a sale the administration determines this. He asked if in revenue projections the administration gives them any indication on how the projections should be. Mr. Burrell said no, but they will question their assumptions. Mr. Burrell said they had the pipeline starting in 1975, certain members of the administration decided July 1, 1976 was more reasonable and they had to move their assumption back to that date.

Mr. Gilbreth spoke briefly on a curve chart entitled Monthly Oil Production. Mr. Gilbreth indicated that because of the no flaring order for gas they had cut back on production for six months because additional pipelines for the gas would not be completed until January. Then he added they would have a new hearing on this prior to July 1. It was also noted there would be \$2.3 million additional revenue if it is not cut back because of the no flaring.

Mr. Gilbreth said that code 637, oil and gas production, showed a figure of \$23,000,000 and their attention had been called to one report which showed they collected \$25,000,000. He said they were working on a cash receipt basis and the \$25,000,000 figure is the one that is in use. He said the remaining \$2,000,000 was in transit on June 30, 1971. In answer to Mr. Fink, Mr. Gilbreth said this would not hold true in 1970 as there was no money in transit in 1970. He said this is only for state royalty being transferred from Anchorage to Juneau.

Mr. Gilbreth said the figures they are projecting are the best they can do and represent a consensus of all the people who work on this. Mr. Burrell added that the problem is that all of these items are dependent upon things outside of Alaska.

Mr. Fink asked if they had an optimistic and a pessimistic forecast. He said he assumed what was shown was "middle ground". Mr. Gilbreth said yes. Mr. Gilbreth read from page 175-176 of the state environmental study. He said for 1976 \$164,000,000 is their best estimate with inflation and escalation. He said a conservative figure would be \$136,000,000 and an optimistic figure would be \$212,000,000.

Mr. Fink asked if the closer they came to the oil flowing the more accurate they would get. Mr. Gilbreth said yes, and added that it was entirely possible construction could be accelerated.

A discussion noted that the Division's estimate of the oil and gas severance on the North Slope is a little over 7% which amounts to 13¢ a barrel.

Mr. Fink asked if the state wins the Cook Inlet well head case how much difference this would make in income. Mr. Gilbreth did not think this would amount to very much as it would virtually be only exact taxes.

Mr. Fink asked if they felt they were getting a fair price for Tesoro oil and Mr. Gilbreth said yes.

There was a discussion on prices of oil per barrel. Mr. Burrell said that transportation varies from 5¢ or 6¢ to over 35¢ per barrel in Cook Inlet.

Mr. Gilbreth said the effect on taxes at Cook Inlet could probably be about \$200,000. It was noted that the oil companies are now billing the state for transportation cost at Cook Inlet and the state is ignoring these billings. In answer to questions from the committees, Mr. Gilbreth said that whatever happens in the court case at Cook Inlet it will be Tesoro's obligation to pay the state as they are under contract. Tesoro would have to pay the state and the state in turn would pay the oil companies and Mr. Burrell noted this is firmly "locked in" in the contract.

Recess: There was a recess at 3: 15 p.m.

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AFTER RECESS
3:35 p.m.

Messrs. Burrell and Gilbreth left the meeting.

REVENUES

Mr. Stevenson listed the balance of the documents distributed to the Finance Committees (see department file). He noted there was a slide in the percentage of growth in tax and license fee collections, since they increased by only 10%, in comparison with the increase of 19% in the two preceding years. One of the largest downward revisions was in income tax. Withholding is the guide to how the state is doing in income tax, and the first two quarters of withholding were compared to a year ago showing only a slight increase. There once was a \$50 million payroll on the North Slope, and Mr. Stevenson said he has been down three times in the last twelve months to the Alyeska office in Seattle for estimates on the direct Alaska costs of the pipeline. Contractors have also been asked for estimates of payroll in an attempt to arrive at a gross payroll factor, and it appears there will be some gains but not as high as the pattern in recent years.

Four revenue proposals to be submitted by the Governor (not included in revenue projections) are:

1. Increase income tax from 16% to 16.5%. The Federal income tax will be slightly less due to the increase allowed on exemptions, so the Department of Revenue feels the state may pass this increase.
2. Cigarette tax raised from 8¢ to 12¢ per pack. There are still 17 states taxing at a higher rate.
3. Motor vehicle tax increase. There is no increase suggested for passenger cars and the major source will come from adjusting truck tractor fees.
4. Increase business license fees on state banks by 4%. This was recommended by Peat, Marwick & Mitchell.

Mr. Stevenson then noted that last session a bill was passed to tax the military for liquor purchases. Senator Gravel had advised the state that, although the military would voice strong objection, they would pay the tax. On this recommendation, the bill was passed. It is now found, however, that the military will buy liquor from outside the state in order to circumvent the tax, and an opinion from the Attorney General supports their position. Senator Butrovich asked for a copy of the A. G.'s opinion on the purchasing of liquor by the military outside the state for both Finance Committees. Discussion followed on the details of ordering, delivery, etc., and Mr. Stevenson read a letter from a wholesaler complaining that this has cut his sales since now it is virtually impossible to obtain an order from the military.

Mr. Stevenson continued through the revenue projections book and said projections are based on the pipeline starting in January, 1973.

The watercraft fuel tax has not increased in proportion to the tax increase and, after investigation, it was found boats will load up with fuel in Washington, since that state has no marine fuel tax. This applies to ocean-going boats, large fishing vessels, etc., and is the reason the tax did not increase by 1/3 as expected.

Mr. Wall detailed the information on motor vehicle registration. He noted there is a consideration to register pick-ups as passenger vehicles, since a survey found 87% are used as such. The biggest issue is the proposal to increase fees in the inter-state commerce area. The problem now is that inter-state trailers are not taxed in a positive manner, and it does not seem reasonable to carry on the present registration system. He recommended the tractor only be licensed, and went on to explain the method of licensing. Fees are equitable in Alaska with Canada, but are low compared to inter-state agreements elsewhere. Mr. Wall also recommended a title fee be charged in order to contract for removal of abandoned and wrecked vehicles. He said the department is still questioning what it should recommend to the legislature in this area, somewhere between \$10 and \$100, probably charged only once when the car is titled, and not retroactive. Mr. Fink questioned how many cars are abandoned and Mr. Wall said there are quite a few in SE Alaska and on the Taylor Highway. Neither the state nor local government is equipped to cope with this problem. Title fees should be raised, since they are only \$2 now and it costs \$4 to process. A bill is being submitted to raise the fee to \$5. The Highway Safety Department recommends inspection be done on cars when first coming into the state, both from a mechanical and a stolen vehicle point of view. Senator Rettig asked the approach to registering vehicles where there are no state roads, and Mr. Wall replied a bill has recently been introduced for a one-time license fee, initially charged. The present law needs to be clarified as it does not cover this area. A discussion followed on the attempts by state troopers to require licenses on vehicles, when actually there is no law requiring this where there are no state roads and on the North Slope.

Adjourned: The meeting adjourned at 4:50 p.m.

SENATE FINANCE COMMITTEE

January 25, 1972

1:45 p.m.

Present: Senators Butrovich, Koslosky and Ray; Robert N. Reeves, Administrative Director of Courts; George A. Morrison, Comptroller, Judicial Branch; Myrton R. Charney, Director; Rick Berrier, Budget Analyst, Division of Budget & Management; Al Frank, reporter.

Senator Butrovich called the meeting to order.

ALASKA
COURT
SYSTEM

Mr. Morrison gave a brief statement concerning the Alaska Court System's budget, explaining that the original budget request total was \$13,712,400 but revised to \$12,492,600. The correct figures are penciled in red in the budget book. Mr. Reeves said every judge, clerk of court and magistrate throughout Alaska was canvassed this year for budget requests, contrasting to previous years when the administrative office just submitted a ball-park figure to the legislature. The original request amounted to an operating budget request of \$12,198,000, reduced after two days of meetings with judges to the new figure of \$10,978,200. Senator Ray asked if they would return later in the session with another set of figures as they did last year and Mr. Reeves said he doubted it.

A summary of the budget was distributed to the committee (attached, pages 22 - 25).

Senator Ray questioned items in the capital improvements budget to equip the new Juneau and Anchorage Court Buildings, and Mr. Reeves replied he felt it would be better to divide costs and put half the request in this year's budget and half next year when nearing completion of the buildings.

One of the major increases is in Personal Services, and Mr. Reeves said many cities furnish a number of personnel working for the court but paid by the city payroll. Cities are now withdrawing these people and they must be replaced by the state. Fairbanks provides about four clerks on the city payroll who actually work in the district court; Anchorage also provides four people for the courts, but is now withdrawing them. Senator Ray questioned the amount of \$336,000 to replace four people, and Mr. Morrison referred to his list and found a total of eleven. Part of the money is for equipment. Senator Butrovich asked if the state had received notice and if there is any alternative. Mr. Morrison said they had worked on this problem for four months; now the City Manager decided not to proceed and they are presently operating with no contract.

Senator Lewis arrived at the meeting at 2:10 p.m.

Mr. Reeves continued, saying the state is at the mercy of the city. Senator Ray said this is a shocking position to be in and asked how it could be changed. Mr. Reeves replied it could only be changed by legislation, and the service must be provided to the city or borough. The City of Anchorage owed the state \$48-50,000, but still wanted the revenue from the courts. A rule was finally passed that the city could not have a jury until bills were paid. Fairbanks, however, is paying their fair share. Senator Butrovich requested an opinion from the Attorney General on the responsibility of the city and the state for various court costs.

Mr. Reeves returned to the Personal Services request, and stated the most important area of need for people is in the Family Court. Cases require much investigation and Intake Officers, Probation Officers, Trustees, etc., are requested.

Senator Ray asked the exact number of days the judges spend on the bench. He said the slowness in the caseload is because there are not enough judges on the benches; some are at school, some at seminars, some teaching. Senator Butrovich requested the committee be furnished a copy of each judge's calendar for the year and a report showing the workload of each judge in the state. Mr. Reeves replied he will furnish this information to the committee, but it was his job to administer the system, not the judges. Anchorage went on a double-shift system with some judges working from 8 a.m. to 1 p.m. and others working from 1 p.m. to 6 p.m., but this created problems with the workload of clerks and juries. Senator Ray noted more judges will have to be added or cases must be restricted, and many insurance cases now going on could be restricted.

Mr. Reeves continued listing the additional personnel requested and said the judges requested this year are for the district courts where the trivia is building up. The courts are bogged down with trivia and the backlog is building up due to the antiquated system. A traffic ticket is entered and documented the same way a murder one case is handled. There is a need to clean this up, and Mr. Reeves suggested going on a point system for traffic cases. Senator Koslosky asked if fines collected don't pay for the court costs, and Mr. Reeves said the city gets the revenue.

Discussion followed on magistrates throughout the state and Mr. Morrison listed the locations.

Mr. Reeves referred to the Library, Transcript, Recording section and the request for additional transcribers. He said this was a real bottleneck, since it sometimes takes eight weeks to get a transcript.

Senator Ray asked where the Alaska Bar Association is located in Anchorage and Mr. Reeves replied it was in the Records office. The Alaska Bar Association is given some office space and they aid

the Supreme Court in deciding who is admitted and who is disbarred. Senator Lewis questioned this practice; however, Mr. Reeves said they do some work for the Supreme Court. If this is not acceptable, it will be changed.

Under General Administration, a Federal Grants Coordinator has been hired with the hope of receiving Federal matching funds and \$400,000 was received. Senator Ray asked who was hired and Mr. Reeves said a man by the name of Mr. Messick.

Mr. Reeves continued listing personnel requested and noted a Field Auditor is necessary due to criticism last year by the Budget & Audit Committee on field warrants. All work now comes into the Anchorage office, and the Court System would prefer to have a field auditor to go from judicial district to judicial district to make audits. He concluded by saying a Statistician, Information Officer II, Accountant II, and Deputy Clerk of Court III have been requested, and a total request of 13 new positions are listed under General Administration.

Senator Ray left the meeting at 2:45 p.m.

Mr. Morrison's summary of the Court System's budget request follows:

"In 1960 the total General Fund appropriations amounted to 24 million dollars. In 1971 the total General Fund appropriations were 292 million dollars or an increase of over 12-1/6 times as much. During the same period of time the budget for the court system increased from \$1,150,000 to \$6,896,200 or an increase of six times. Thus the court system, while growing in responsibility and caseload with the rest of the state, has received appropriations of only 1/2 as much as the rest of the state agencies. Today if we were on a par with other state agencies our budget would be between 14 and 15 million. Last year we asked for 10 million budget which we needed in order to maintain our present level of services. This year we asked for 12 million which is essentially the same as last year with the added provisions for increased salaries and some new positions. We have just trimmed the 12 million to \$10,980,000 which is the same budget as last year adjusted for inflation.

"In summary we are not asking for an increase over other state agencies percentage wise. We are not even asking to be on a par with other agencies but are merely asking to catch up to some degree.

"Now as to the make up of our present budget. Last July we started our budget preparations and worked with each presiding judge of the superior and district courts to submit a budget that would be adequate for their needs. This was our original budget submission for \$12,198,000.

"Last week Governor Egan issued a statement calling for continued austerity in state finances. We in the court system determined to do our part and we called all the presiding judges together

to review, as a group, our budget request with the thought in mind to reduce our request. We reduced our request by 10%, or a reduction of \$1,219,800. You have a copy of this reduction before you.

"Our proposed budget is now \$10,978,200 which is still far below the 14 or 15 million figure necessary to maintain equality with other state agencies. We think the budget request is modest and is barely adequate to meet the needs of the court."

Senator Lewis questioned the point system regarding traffic cases mentioned earlier by Mr. Reeves, and the explanation was that a total of 10 points can be accumulated before a driver's license is taken away. For example, running a red light - 2 points, speeding - 5 points, etc. The case would go before an administrative board if argued, and ultimately to the courts if the administrative board's ruling is appealed; however, less than 10% of the people will appeal. It is an informal, fast situation which could save the judges from hearing all cases.

A general discussion followed in which Mr. Reeves mentioned judges are traveling more because the statutes now state a case must be tried in the election district in which the crime was committed, and all cases will not be tried in urban areas. Contractual services request of \$194,200 includes \$104,000 for jury costs. The caseload is rising, which causes the increase, even though the amount of money paid to jurors has been reduced. Senator Butrovich said there should be some improvement in the method of calling juries, since they just come in and sit until 11 a.m. and then go home. Mr. Reeves replied jury clerks now coordinate juries between all the courts, and if a juror is not accepted at one court, he will be sent to another. Mr. Reeves also stated the large increase in jury costs is due to the statute to hold cases in the election district where the crime is committed, and transportation costs and lodging must be paid. Senator Koslosky noted the intent of the legislation was to have "locals" on the jury, and Mr. Reeves agreed that the philosophy was to have a man tried by a jury of his peers.

The meeting recessed at 3:10 p.m.

AFTER RECESS
3:30 p.m.

Senator Ray joined the meeting; Senator Lewis left the meeting.

Rent is included in contractual services, and Mr. Reeves said this will increase in order to comply with SB 153, since space must be rented if a court will meet in outer districts. Senator Ray asked if there are any standards set in the statutes for court rooms, and Mr. Reeves replied no. For example, when the possibility of a trial in Cold Bay occurred, Mr. Reeves planned to use some buildings leased by Flying Tiger. This one case could have cost the state \$35,000; however, the man decided to plead guilty. A superior court trial was held in the basement of an American Legion hall in Palmer, and schools can be used.

Autopsy cases present a problem, since many times doctors will refuse to sign death certificates unless they have personal knowledge of the person who died. Either a state trooper, magistrate or district judge will order an autopsy and many times the body will have to be shipped in. Sometimes the department is not aware an autopsy has been ordered until the bill is received, and Mr. Reeves stated morticians overcharge the state. He said the Department of Health & Social Services could help in this area, by setting standard fees among morticians.

Senator Butrovich questioned the large increase in the 3rd judicial district and Mr. Reeves said an amendment to SB 153 would eliminate great expense to the taxpayers in the cost of operating the courts. He talked to Senator Croft, author of the bill, who also is in favor of an amendment. Senator Butrovich suggested repealing the bill and Mr. Morrison said their budget could be reduced by \$1,500,000 if SB 153 was repealed.

Mr. Reeves reviewed the request for the law library in the capital improvements budget and said Alaska has the worst law library of the 50 states. Anchorage and Fairbanks libraries are both inadequate, and the judicial profession doesn't have the tools to work in this state. Federal libraries are used, and in the past the State of Washington would loan books to Alaska; however, they have discontinued this practice and will only send Xerox copies and charge accordingly. Judges should be able to look up other states' provisions, and Mr. Reeves said private attorneys in practice have better libraries than the state.

The estimate of \$88,000 for shelving was questioned by Senator Butrovich, and he requested a breakdown of this figure.

Senator Ray questioned the duplication of requests for books and supplements. Mr. Reeves stated that depreciable items, such as a set of books, are placed in the capital improvements budget. Senator Ray pointed out examples throughout the budget book where books are listed in order to maintain current libraries.

Discussion followed about budget requests for remodeling and equipping new courts and the following items were requested by the committee:

Copy of the estimates from the Division of Buildings for \$65,000 to equip a 4th courtroom in the State Court and Office Building at Fairbanks.

Reference proposed capital projects for equipping the new Juneau and Anchorage Court Buildings:

- a. Courts: Itemize equipment requests;
- b. ASHA, Division of Buildings: Itemize equipment and installation costs included within construction contract.

Senator Ray questioned the Federal Funds program, and the committee requested the following information:

Breakdown of the \$76.8 thousand requested for Federal Funds Program. How much was spent on this program in FY 1972 and what was the source of funds.

Testimony from Larry Parker as to the procedure for application and receipt of LEAA funds.

The administration has limited the Alaska Court System's budget and Mr. Reeves asked if they would have an opportunity to justify the department's request. Senator Butrovich said they would.

Adjourned: Meeting adjourned at 4:30 p.m.

Our budget request for this year after our budget cutting session is now \$10,978,200. In addition we have budgeted \$1,514,400 for capital improvements.

The capital improvements include:

1. Upgrading libraries	\$ 274,400
2. Relocating Recorders office in Fairbanks	87,000
3. Additional courtroom in Fairbanks	65,000
4. Equipping courtroom in Fairbanks	37,500
5. Equipping Juneau Court Building	352,000
6. Equipping Anchorage Court Building	698,400
Total	<u>\$1,514,000</u>

The operating budget of \$10,978,400 includes increases as listed.

1. Current 1971-72 budget	\$6,896,200
Increases:	
a. Personal Services	1,850,568
b. Equipment	411,966
c. Travel	151,990
d. Contractual Services	1,384,974
e. Commodities	162,051
f. Leasehold Improvements	(16,000)
g. Building Maintenance	136,451
Total	<u>\$10,978,200</u>

One of the major increases is in Personal Services. We are asking for 127 new full-time employees and 24 new part-time employees. These are allocated to:

Supreme Court	12
1st Judicial District	8
2nd Judicial District	7
3rd Judicial District	70
4th Judicial District	22
Recording, Transcript, Library	19
General Administration	13
	<u>151</u>

ALASKA COURT SYSTEM

Supreme Court:

1 Attorney IV	Anchorage
1 Attorney III	Anchorage
1 Chief Deputy Clerk of Court III	Anchorage
2 Legal Secretary III	Juneau - Anchorage
1 Deputy Clerk of Court II	Juneau
1 Clerk Typist III	Fairbanks
5 Law Clerk Trainee 1 Juneau - 1 Fairbanks - 3	Anchorage
(part-time 4 mos. only)	

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First Judicial District

1 Coroner Public Administrator	Ketchikan
1 Chief Deputy Clerk of Court	Petersburg
1 Deputy Clerk of Court II	Juneau
1 Deputy Clerk of Court II	Ketchikan
1 Deputy Clerk of Court II	Haines
1 Deputy Clerk of Court II (Part-time)	Petersburg
1 Deputy Clerk of Court II (Part-time)	Wrangell
1 Magistrate (Part-time)	Angoon

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Second Judicial District

1 District Judge	Barrow
1 District Judge	Kotzebue
1 Legal Secretary III	Barrow
1 Legal Secretary III	Kotzebue
1 Deputy Clerk of Court III	Barrow
1 Deputy Clerk of Court III	Kotzebue
1 Magistrate (Part-time)	Savoonga

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Third Judicial District

2 District Court Judge	Anchorage
2 Legal Secretary III	Anchorage
2 Deputy Clerk of Court III	Anchorage
2 Deputy Clerk of Court II	Anchorage
1 Attorney IV (Standing Master)	Anchorage
3 Attorney III (Law Clerk-Bailiff)	Anchorage
1 Intake Officer (Family Court)	Anchorage
1 Chief Deputy Clerk of Court IV (City Court)	Anchorage
1 Investigator (Family Court)	Anchorage
3 Chief Deputy Clerk of Court II (City Court)	Anchorage
3 Legal Secretary III (District Court)	Anchorage
3 Accountant I	Anchorage
2 Deputy Clerk of Court III	Anchorage
2 Deputy Clerk of Court III (City Court)	Anchorage
1 Administrative Assistant I	Anchorage
1 Deputy Clerk of Court III (Probate Court)	Anchorage
3 Deputy Clerk of Court III	Anchorage
1 Secretary II (Child Support Center)	Anchorage
1 Secretary I (Coroner's Office)	Anchorage
1 Deputy Clerk of Court II (Civil Section)	Anchorage
1 Deputy Clerk of Court II (Jury Clerk)	Anchorage
1 Deputy Clerk of Court II	Kenai
2 Deputy Clerk of Court II (Bailiff)	Anchorage
5 Deputy Clerk of Court II (City Court)	Anchorage
1 Deputy Clerk of Court II (Jury Clerk)	Anchorage
1 Deputy Clerk of Court II (Counter)	Anchorage
2 Deputy Clerk of Court II (Calendar)	Anchorage
1 Deputy Clerk of Court II (Documents)	Anchorage
1 Deputy Clerk of Court II (Docketing)	Anchorage
1 Deputy Clerk of Court II (Child-Support)	Anchorage
2 Deputy Clerk of Court II (Family Court)	Anchorage
1 Deputy Clerk of Court II (Court Trustee)	Anchorage
2 Deputy Clerk of Court I (Civil Section)	Anchorage
1 Deputy Clerk of Court I (Criminal Section)	Anchorage
1 Deputy Clerk of Court I (Vital Statistics)	Anchorage
2 Deputy Clerk of Court I (Borough Court)	Anchorage
2 Deputy Clerk of Court I (Microfilm)	Anchorage
3 Deputy Clerk of Court I (Part-time)	Anchorage
1 Magistrate (Part-time)	Afognak
1 Magistrate (Part-time)	Girdwood
1 Magistrate (Part-time)	Old Harbor
1 Magistrate (Part-time)	Whittier

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Fourth Judicial District

1 District Judge	Fairbanks
1 Legal Secretary III	Fairbanks
1 Deputy Clerk of Court III	Fairbanks
1 Deputy Clerk of Court II	Fairbanks
2 Attorney III (Law Clerks)	Fairbanks
1 Assistant Administrative Officer	Fairbanks
1 Deputy Clerk of Court III (Superior)	Fairbanks
2 Secretary III (District)	Fairbanks
1 Deputy Clerk of Court II	Bethel
2 Deputy Clerk of Court II (Bailiff)	Fairbanks
2 Secretary I (Coroner & Administrator)	Fairbanks

Fourth Judicial District (Continued)

1 Deputy Clerk of Court I (Calendar)	Fairbanks
1 Deputy Clerk of Court II (Part-time)	Tok
1 Deputy Clerk of Court II (Part-time)	Delta Junction
1 Magistrate (Part-time)	Nunapitchak
1 Magistrate (Part-time)	Quinhagak
1 Magistrate (Part-time)	Tuluksak
1 Magistrate (Part-time)	Eagle

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Library, Transcript, Recording

1 Assistant Librarian I	Anchorage
1 Assistant Librarian	Fairbanks
1 Clerical Aide	Anchorage
1 Court Transcript Supervisor I	Anchorage
3 Court Transcriber II	Anchorage
1 Court Transcriber II	Juneau
1 Court Transcriber II (Part-time)	Anchorage
1 Deputy Recorder III	Juneau
1 Deputy Recorder II	Juneau
2 Deputy Recorder II	Anchorage
1 Deputy Recorder II	Fairbanks
1 Deputy Recorder I	Juneau
4 Deputy Recorder I	Anchorage

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General Administration

1 Federal Grants Coordinator	Anchorage
1 Accountant IV (Field Auditor)	Anchorage
1 Statistician III	Anchorage
1 Information Officer II	Anchorage
1 Accountant II	Anchorage
1 Deputy Clerk of Court III	Anchorage
1 Offset Machine Operator	Anchorage
1 Secretary I (Coordinator)	Anchorage
1 Accounting Clerk - III	Anchorage
1 Switchboard Operator	Anchorage
1 Secretary I	Anchorage
2 Clerical Aide	Anchorage

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The other major budget increase is for contractual services.

This increase is directly attributable to the increased costs to fulfill the intent of Chapter 126 SLA 1971 which required that court trials be held in election districts.

The increases in travel, equipment, and commodities are directly associated with the costs of new personnel. In all other respects the budget for this year is the same as last year's appropriation adjusted for inflation.

SENATE FINANCE COMMITTEE

January 27, 1972

1:45 p.m.

Present: All members with the exception of Senator Lewis.

Senator Butrovich called the meeting to order and assigned the following sub-committees for budgets:

EDUCATION: Senators Palmer, Lewis, Poland. (Includes University of Alaska, assigned to Senator Lewis)

NATURAL RESOURCES: Senators Palmer, Poland, Butrovich.

DEVELOPMENT: Senators Rettig, Koslosky.

ADMINISTRATION OF JUSTICE: Senators Butrovich, Ray.

GENERAL GOVERNMENT: Senators Ray, Butrovich.

PUBLIC PROTECTION: Senators Rettig, Lewis.

SOCIAL SERVICES: Senators Ray, Butrovich.

HEALTH: Senators Lewis, Koslosky.

TRANSPORTATION: General committee. (Assignments will be given to members on sections of Highways, Marine Transportation, Air Transportation, etc.)

A letter requesting further and more detailed budget information is being sent to the administration.

Adjourned: The meeting adjourned at 2:20 p.m.

JOINT MEETING
SENATE AND HOUSE FINANCE COMMITTEES
February 2, 1972
2:35 p.m.

Present: Senators Butrovich, Lewis, and Ray; Messrs. Hohman, Ditman, and Fink; Joseph R. Henri, Commissioner; Richard W. Freer, Deputy Commissioner; Myrton R. Charney, Director; Ronald Lind, Budget Analyst, Division of Budget & Management, Department of Administration.

DEPT. OF
ADMINISTRA-
TION, Budget
& Management

The meeting was called to order by the chairmen. Mr. Henri expressed his appreciation for the opportunity to discuss the request to recast the program budget submitted into the object codes of prior budgets, and said the request called into doubt the intentions of the committee on program budgeting and what the future would be for this concept. He continued by saying the budget this year actually provides more information, breaking down 104 budget request units to 731 low level conventions. The Department of Administration has been working since the beginning of this fiscal year to accommodate the state's accounting system to the new budget form, and Mr. Henri was concerned that the legislature wanted to scrap the entire system.

Senator Butrovich said the committees are aware they have more information, but the breakdown of numbers is the disturbing factor. Senator Ray asked Mr. Henri if he would or would not provide the information, in order to avoid any misunderstanding. Mr. Henri replied he would do his duty to the laws of the state. Senator Ray then said the lack of this information had worked a considerable hardship on the finance committees, and would go toward lengthening the session. Budget work could progress if the entire budget had been broken down in the form requested. The finance committees were not trying to scrap the budget system evolved by the Department of Administration, continued Senator Ray, and the supplemental information is over and above what has been received in prior years. However, the other information is no longer there and this is of vital interest to the finance committees for comparisons. Mr. Henri said they will provide the information requested.

Mr. Charney stated the information will be difficult to get, as an attachment to the letter requesting comparisons with prior years showed the new program structure. This is broken down to finer elements than in the past, and in order to provide the information the department would have to go through every voucher. Senator Ray said that out of deference to the new system, the staff used the same breakdown as Budget & Management had used; however, there will be no problem if the information is provided in any form. Senator Butrovich added the committees would prefer to have it broken down to the new system, but in the interest of time any comparison figure would do. The finance committees will settle for that this year and next year the information can be provided along the lines of the new outline. Mr. Charney said it would take another year's cycle, and it would be the following year before the information is in the new form.

Mr. Henri then said they have a clear picture of what the committee wants and the information will be provided. Mr. Charney added the staff should provide a list of priorities for Budget & Management to work from. There was some discussion about gaps in information and Mr. Henri said the transition involved problems in some departments. For instance, in Public Health breakdowns, perhaps there were not any categories such as used this year, while in other areas where categories have not been changed considerably it will be easy to provide comparison figures.

Mr. Hogan noted some examples, and added the problem with insufficient information would become apparent if the finance committees cut the budget. Mr. Henri said this is why the budget information is presented in the new form, and the level should not be cut. Senator Ray argued he didn't think it was the duty of a commissioner to instruct the legislature as to the extent of spending, and Mr. Henri replied he had been given the statutory duty to provide the budget and he understood from a meeting between Senator Butrovich and Messrs. Freer and Charney that the present form was satisfactory. Senator Butrovich said they did agree, but at that time he did state he did not want to compare apples with oranges. He continued that it went without saying that both finance committees have been considerably confused trying to make comparisons.

Mr. Hohman asked if the finance committees now have an agreement from the administration to provide information on the old structure or according to the new structure. Mr. Henri replied it would be given according to the new structure where possible, and on the old structure where it is not possible. Senator Lewis asked when the information would be provided and Mr. Henri said he would like to provide a schedule at the end of tomorrow's business, if that was agreeable. Mr. Hohman suggested adjourning with the understanding that there will be some communication between Budget & Management and the finance committees' staff. Senator Butrovich agreed that there are conflicting opinions on what is needed and it should be worked out with the staff.

Adjourned: The meeting adjourned at 3:15 p.m.

JOINT MEETING
HOUSE AND SENATE FINANCE COMMITTEES
March 7, 1972
8:30 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.

DEPT. OF
EDUCATION
Vocational
Education

Representative Hohman called the meeting to order and introductions were made. Dr. Lind explained a fiscal analysis had been prepared by Mario Martini for the Department of Education concerning the Division of Vocational Education, and Mr. Martini testified as follows:

Eight districts within the state were selected to conduct a study of program content and fiscal implication in vocational education: three small districts (Hoonah, Haines and Petersburg); three medium-sized districts (Kodiak, Ketchikan and Juneau); and two large districts (Anchorage and Fairbanks). Comparisons within the districts were based on a definition of vocational education: 1. training of unskilled people in order to provide them with viable skills for the job market; 2. upgrading of skills in order to advance within a field; 3. retraining of people whose skills are no longer marketable. Since the program survey dealt mainly with secondary schools, the first part of the definition applied most often.

How effective is vocational education in the State of Alaska? In order to determine how effective the program is, the output of the program must be determined. In small districts there is no problem whatever in finding out what happened to graduates. In medium and large districts, there has been no follow-up and no opportunity to determine how effective programs are. The success of the marketability of the finished product determines the success of the program, continued Mr. Martini. However, the ability to follow through becomes more difficult to determine if a skill learned five years earlier comes into play when the student enters the job market. Also, some people in the school districts feel that vocational education should provide skills; other people feel the program is a success if a proper attitude toward work is achieved.

Mr. Martini explained he had found in this study that school districts do not use all resources available, and actually only two districts work closely with the Manpower Center or the Department of Labor. The Department of Labor, on a state-wide basis, is

perhaps the most accurate indicator as to the needs in the work market. Not a single district ran a formal need assessment survey to see what the area needed. In small districts there is no need for such a formal study, but in larger districts it would be desirable to determine on a short-range and a long-range basis what employment opportunities will be in the future. There is very little contact in terms of program planning with industry; for example, in Fairbanks, where the oil industry could be consulted. Normally, most companies have fairly close ideas of what they will be doing in the future, and would know the type of skills and manpower required in three to five years. Mr. Martini stated that no effort was made to coordinate closely with any industry to determine these needs.

A second problem in the vocational education program was that there was a definite lack of coordination between the secondary school level and the community college level. Rather than have an extension at the community college level, courses either match or duplicate the ones offered at the secondary school level. Mr. Martini gave examples of business education courses offered at Ketchikan and a sea education program at Petersburg, where the community college and the secondary schools offer the exact same courses rather than an extension at the higher level. The courses do not provide the skill necessary for the job market.

Unemployment in the 18-24 age bracket is perhaps the highest in the nation, which is not consistent with the findings of the Department of Labor showing an abundance of jobs available for skilled people, continued Mr. Martini.

The survey conducted by Mr. Martini was then distributed to the members of the finance committees (see department file). He explained this was not a final report, but only a preliminary one which showed statistics for six of the eight districts surveyed. It was noted on the report that larger districts receive only approximately 52-53% of the total cost of vocational education from the state. The question is where do the balance of the funds come from and what programs are suffering in order to defray the expenses. Mr. Martini then asked if it was fair for these programs to suffer or is enough being done for vocational education.

Mr. Wright asked for a recommendation from Mr. Martini, who said this was only a preliminary report and a final one would be submitted on the 17th. His recommendation is, therefore, not complete. However, Mr. Martini stated that the law places the responsibility for education through the 14th grade in the school district level. Even with the adoption of the community college act, there is very little input from the communities into program development and program offering at the community college level. This is not consistent with the concept of a community college, which should entail active participation by the community. Also,

there is a definite lack of communication, state-wide, between school superintendents and the vocational education directors. The Division of Vocational Education, as the central agent, should be given more direct control over the offerings and over the programs within the state, continued Mr. Martini. It should be recognized that if vocational education is offered and money spent, the school districts should respond in perhaps a more concrete manner than they are doing right now. A performance contract concept should be expanded to the secondary level to insure better return from the money invested. From a funding standpoint, Mr. Martini stated the funding is inadequate.

Mr. Wright asked if this was a recommendation or a conclusion, and Mr. Martini replied it was a conclusion.

Comments from superintendents were requested by Dr. Lind. Mr. Hayward said he would hate to have the committee hear only one side of the story and Mr. Martini's research should not go unchallenged. He stated the training has been marginal in Petersburg, but the graduates are now employed as fishermen or mechanics. Mr. Hayward continued by saying Mr. Martini's report was too pessimistic. In Kenai the school district has worked with the oil industry for guidance in vocational education, and there is coordination between the secondary and the community college level. There is unemployment, but it is with adults and not only recent graduates. Efforts are being made to involve local communities, which have not been completely successful but are more encouraging than Mr. Martini's report indicates.

Mr. Hall, School Superintendent from Cordova, noted he had not discussed the report with Mr. Martini, but thought there was a possibility of inaccurate accounting in the small districts. He believed a lack of sophistication in accounting could result in the small districts listing 100% funding as opposed to the large districts reporting 52-53% funding. He continued by saying that a senior student in Cordova, now going into the second year of vocational education, wished he could stay in school a few more years to finish the program, and Mr. Hall felt this was an encouraging statement.

Mr. Wright stated the report indicates to him that instructional unit support in vocational education is inadequate, and the large districts are penalized. He felt the state must fund the program.

Senator Butrovich said the vocational education program is not ineffective and, if anything, enough is not being done in this direction. Referring to Mr. Martini's statement that the Fairbanks district should work with the oil industry, Senator Butrovich said what oil industry. The Fairbanks schools do train good aviation mechanics. He concluded by stating he believes vocational education is a great program, and the state is not doing enough.

Mr. Wright said a skill center is planned for Anchorage very soon, and they expect at least 50% of the funding to be purely local. Vocational education seems to be the trend now, he continued, and additional funding should be granted providing it is earmarked for vocational education.

Mr. Martini noted he was obviously in support of this statement. He continued by saying that one of the problems is in terms of counseling, since counselors tend to steer children into college. Nation-wide, only 17% of high school graduates wind up with college degrees, and Mr. Martini thought more students should be guided into vocational education.

Mr. Hall concluded by asking for patience on the part of the legislature, since there have been difficulties in starting the program. Some programs are admittedly weak, but will improve with time.

Recess: The meeting recessed for a discussion of bills (see Bill Minutes).

JOINT MEETING
HOUSE AND SENATE FINANCE COMMITTEES
March 8, 1972
1:30 p.m.

Present: Representatives Hohman, Fink, Degnan and Warwick. Dr. William R. Wood, President, University of Alaska; members of the staff from the University including: Harold Byrd, Mr. Hollinger, Dr. Rae, Dr. Hood, and Mr. Hickok.

UNIVERSITY OF ALASKA Mr. Hohman called the meeting to order. Mr. Byrd stated the original plan was to proceed through the University's budget in the same order as in the book; however, in view of the fact that Dr. Wood was leaving shortly, they proposed to start out with the subject of Central Governance and then proceed to Organized Research.

Central Governance Dr. Wood spoke on the subject of Central Governance, and stated it had grown in the last several years. Since statehood it has become obvious that an expansion of services was necessary, and the University moved toward the concept of a multi-location institution. Elmer Rasmussen, President of the Board of Regents, had decided to regionalize, and it was the most forward looking thing the board had ever done. Regional centers of full four-year programs have been established, strictly controlled from an operation at one geographical point. Dr. Wood continued by giving a brief history of the organization of the various regional institutions and the staffing, and noted appointments were made from within the staff. Responsibility has been delegated, as with the signing of contracts. Dr. Wood now only signs and interviews full professors, done mainly as a courtesy. It has been six years since the inception of the plan, but Dr. Wood explained they wanted to reorganize gradually.

Mr. Haugen and Dr. Wright joined the meeting at 1:40 p.m.

Dr. Wood continued by stating the university does not mean to have a series of vice presidents on every campus, and certain functions will always be the responsibility of the central university. Planning must be centralized in order to maintain balance; input may come from various locations, but bringing it together is a centralized function. Accounting is maintained at the central location, as is coordination, liaison, and allocation of resources. The library system as a whole, student aids, student employment programs, grants in aid, must be coordinated at some central location.

It has taken some time to organize this program and one step proceeds at a different rate of growth than another, but in a period of five to ten years Dr. Wood said growth rates will tend to balance. From the regional centers, classes are organized in outlying locations; Petersburg, Bethel, Nome; all assigned from a community college.

The philosophy of the program is to have a single university of excellence in the state and decentralize that operation to take opportunity as close to where the individual lives as resources permit, concluded Dr. Wood.

Mr. Warwick said the budget request has increased 24% over last year while enrollment has only increased 11%, and questioned the cost of administering Central Governance. Mr. Byrd agreed it was a considerable increase, but said this was composed of two primary elements: administration and staff benefits. In administration there is a 10% increase, composed primarily of costs such as insurance, accounting function, and inflation. Mr. Warwick argued that insurance should be reduced, but Mr. Hollinger said expanding with new construction of \$30 million will increase the insurance by \$5,700. It is based on total assessed valuation. Mr. Warwick stated it probably would be more economical to have two universities as percentagewise the insurance was less before the expansion.

Mr. Hollinger noted the problem is what should be allocated to Central Governance. Central Governance does not only cover the President's office and the Board of Regents; it includes staff benefits and the increase reflects the increase of the staff in Anchorage. If the accounting methods were restructured, the Central Governance increase would not be as large.

Dr. Wright said the university is divorcing Anchorage, and to either crank it in or crank it out. Mr. Byrd replied they were talking about the relative increase in operational costs in Anchorage. Unit costs are less, but when you compound a low unit cost by a drastic increase in the number of units, an increase will result. Fund requirements for sustaining the increase in enrollments have gone up substantially, but do not necessarily reflect an increase in the cost per credit hour.

Mr. Warwick said there was \$700,000 listed which did not apply to Central Governance and asked why. Mr. Hollinger replied most institutions list their fringe benefits under general expenses. Only recently the university has established regional programs, and working towards that end expenses should be reassigned within the region. Mr. Warwick asked how much could be restructured to different accounts and Mr. Hollinger said 11.52% of the university costs are staff benefits, listed directly above personal services costs.

Mr. Kerttula joined the meeting.

Mr. Hollinger continued by saying in Central Governance, 11.52% of the figure applies to staff benefits, or \$170,000. Dr. Wood noted if the university allocated costs to the three regional operations, there would be very little cost left in Central Governance. This could be done if the legislature requested this

accounting method.

Mr. Fink then asked Dr. Wood if he would object a chancellor appointed by the Board of Regents, and if he would object if the chancellor submitted the budget to the Board of Regents. Dr. Wood said he would not object to either one, since all boards consult with executive officers. Dr. Wood has the authority to make every single appointment with one exception, the financial vice president. However, the Board of Regents always confers with Dr. Wood on that appointment, as does Dr. Wood consult with the board on his appointments. Therefore, Dr. Wood said he would have no objection to a law stating that the chancellor and even the provosts have the official approval of the Board of Regents. The board will either work with the executive officer or fire him. He continued by saying he would have no objection to the other proposal, but the legislature should work this out with the Office of the Governor to see if it is correct procedure.

Mr. Fink noted the 5.5% inflation factor and the 5.5% cost of living increase on salaries and asked if they were separate items. Mr. Byrd replied they used a 5.5% salary adjustment because instructions said they were to be included there. Average step or merit increases for existing staff are incidental to the 5.5% inflationary increase. Discussion followed on this practice and whether or not the university budgets at step C as other departments do. Mr. Byrd said classified personnel are so listed, but professional staff are budgeted at actual salary. Mr. Hogan said the instructions this year were to budget at step C but next year there is a possibility of budgeting at actual salary. Dr. Wood noted they are finding it difficult to budget at the professional level because it doesn't follow the same formula as classified personnel. The university is still a young institution and there are about 56% in the lower ranges with the balance in the upper ranges. As the staff becomes more stabilized with less turn-over, it will move in the next direction.

Merit increases were discussed, and Mr. Byrd said no one receives a merit increase without a study of the case. Increases are originally put together at the department level, reviewed by deans and ultimately by vice presidents. It takes about two months time, and employees are rated on a 1, 2, 3, 4, or 5 level according to their performance. Low producers are weeded out. Last year the average monthly increase was \$62.50.

Dr. Wright questioned housing allowance and Dr. Wood said the provosts get \$275 per month plus use of an official car for official business.

Dr. Wood then asked if members of the committee had received a copy of "Margin of Excellence" by Professor Soli, which sets forth an analysis of salaries for professional personnel. Dr. Wood said it was excellent and recommended each member of the committee get a copy.

Dr. Wright asked about the increase in court costs and Dr. Wood replied the more laws that are passed the more law suits are brought against the university. He said there is a tripling or quadrupling of legal costs at the university.

Dr. Wright asked if the university budgets at total head count or average enrollment of students, to which Mr. Hollinger replied they budget at peak enrollment, based on the actual enrollment of the fall semester plus an anticipated increase for the next fall semester. Dr. Wright said in Anchorage they budget for average enrollment.

Dr. Wright asked how much would be realized if all fees were doubled and Mr. Hollinger said about \$1,750,000. Mr. Fink then questioned out-of-state fees and Dr. Wood explained a full-time student pays \$100, plus \$150 if coming in from another state. The \$150 was doubled to \$300 last fall, but the university was unable to collect it due to President Nixon's freeze. Additional costs to the student are activity fees and insurance fees of about \$45 per semester, plus board and room. Dr. Wood said about 50% of those who go to college, go outside the state. Alaska is No. 50 on the list of out-migration, and he was afraid if fees were doubled even more students would go outside.

Mr. Hohman questioned the reduction of about \$250,000 in federal receipts. Mr. Byrd said this is predicated on the President's current budget as presented to Congress. \$205,000 used to be received for a land grant college; however, the President did not put it in the budget this year or last year. Last year Congress did reinstate the funds, but it is not budgeted this year.

Dr. Wright noted a \$23 billion higher education package was passed in Washington, and asked how this would affect the university. Mr. Byrd replied it would affect them primarily through restricted fund expenditures, and Dr. Wood said since these are based on population Alaska would get the minimum.

Mr. Fink noted on the request level the university shows a lower figure for federal receipts and asked how they lose federal money. Mr. Byrd replied through matching amounts, and the funds are subject to how much you can put up yourself. Dr. Wright thought it would be an interesting project for the Budget & Audit Committee to see what the university does with federal money. Mr. Byrd said there are about 300 different projects for which the university receives restricted funds, and all must be accounted for.

Senator Lewis arrived at the meeting at 3:00 p.m.

Organized
Research

Mr. Byrd then stated the budget on Organized Research would be reviewed by Dr. Rae, Dr. Hood and Mr. Hickok.

Dr. Rae said the university has an outstanding faculty and they receive a great deal of assistance through federal funding.

However, one of the problems in Alaska is they are plagued with regionalism. Mr. Haugen asked if they didn't contribute to the problem by taking the marine science center out of Douglas. Dr. Rae said this would be justified and introduced Dr. Hood, Director of the Institute of Marine Sciences.

Dr. Hood distributed a package of pamphlets to the committee. (See department file.) He read definitions of marine science and oceanography from the book. He said the university was to compete with other laboratories throughout the nation and, starting at nothing, they are now eighth in the nation. For every \$1 which is received from the legislature, they receive \$5 from federal funds and other scientific institutions. He listed the source of funds.

Next year's problem, according to Dr. Hood, is to integrate more fully with the university's system from a central facility. A request has been submitted to the Board of Regents that a central facility be built in Anchorage, with an associated support facility in Seward. Dr. Hood said the Scripps campus is larger than the University of Alaska, and the University of Washington has three buildings on the ocean.

Dr. Hood then stated the history of the Douglas station has not been good, since it is too detached from the central activity. People here are not part of the mainstream of affairs and the area is too isolated. Mr. Haugen argued there is an entire scientific community here, the Department of Fish & Game, Auks Bay, etc., and it is close to the ocean. Rather than support this concept, Mr. Haugen said he would campaign against the bond issue for the Institute of Marine Sciences and there is a group of fishermen who feel exactly the same way. Mr. Haugen also said the institute has been a complete failure in aiding industries trying to locate in Southeast Alaska, such as the pulp mill in Burner's Bay. Dr. Hood replied there is not much he can say except there is a surprisingly good staff in Alaska. They did work on the paper mill, the Prince William Sound station, Coalville River study, Cook Inlet oil, etc., and stated they are on top of the oceanographic problems here. Because they are focusing on a central facility does not mean they are abandoning the region, as they can send people to different areas. The Douglas station is an old school building, not in good water as the Gastineau Channel is inadequate. The plans are to settle in a likely place, not one which will be politically expedient.

Aquiculture is far more important to Southeast Alaska than any other problem, continued Dr. Hood. Resources must be protected and industry must coincide with the environment, and this does not necessarily have to be done from Douglas. The institute is studying a long-range program of aquiculture which will increase salmon population, oysters, clams, etc. There are also problems

throughout Alaska, in the Bering Sea and on the North Slope. Mr. Fink noted Mr. Haugen was looking at the problem from the fisherman's standpoint, to which Dr. Hood replied they will cooperate with the Fish & Game Department here in Juneau and exchange scientific and research ideas on a cooperative basis. Mr. Haugen mentioned stream enhancement, and the fact that the Forest Service appropriated \$675,000 to this program. He felt it was a duplication of effort. Mr. Haugen did not support this move and will not give up the fight against it. Dr. Hood asked what the institute should do and Mr. Haugen replied they have scientific commitments in this area.

Mr. Warwick said he could not see where the problem was as the staff decided where they wanted to live and rationalized from there. Dr. Hood said they questioned the staff twice on a rating scale; the first time asking opinions on the move from a purely professional standpoint which received a rating of 4.7, and the second time on a personal standpoint which received a rating of 2. (Range was from 1 to 5.)

Mr. Kerttula said an oceanographer told him the greatness of Scripps was that it was located on the water with a tremendous dock, and provided an extension to the sea. Seward, therefore, would be a better location than Anchorage. Dr. Hood noted this was a valid argument; however, many universities with similar programs are far from the sea. The first step is to get a program going, then if a move is in order they will move. Mr. Kerttula said he could see the advantage to being able to communicate back and forth with the university.

Senator Lewis said Mr. Haugen would campaign against the bond issue and asked what would happen if the bonds did not pass. Dr. Hood said if something is not done about laboratory space, the institute can't survive. It is the most crowded in the university.

Recess: The meeting recessed at 3:30 p.m.

AFTER RECESS

4:00 p.m.

PRESENT Members of the House Finance Committee. Dr. Hickey, Director of the University of Washington Dental School; Dr. Schwarz, of the University of Washington Medical School; Dr. Moore, from the U. of W. Dental School; Dr. Rogers, of the U. of W. Planning Office and the Health Science Office; and the Associate Dean of the School of Medicine were also present.

WAMI Mr. Wright called the meeting to order and asked Dr. Schwarz to explain the WAMI program to the Committee.

Dr. Schwarz said the WAMI Program is named after the four states of Washington, Alaska, Montana and Idaho. Its main objectives are: 1. To increase medical school enrollment in the four states. 2. To add to the number of physicians and correct the uneven distribution in the region. 3. To contain the cost of medical education by capitalizing on the existing facilities. 4. To provide educational experience in non-metropolitan communities. 5. To increase the flow of knowledge between community practitioners and the University.

Dr. Scharwz explained that by 1980, the U.S. will be short 45,000 doctors. Communities in Montana, Alaska and Idaho will suffer most from this shortage because these states do not have a medical school. Medical schools must give preference to their own residents but even then there are too few training institutions. In 1969, 24,465 men and women applied for entrance in the nation's medical schools. Only 10,546 were accepted. Out of that number, only 8 were Alaskans. Only 14 had applied. He pointed out that brick and mortar costs for more facilities reach astronomical heights. The Association of American Medical Colleges estimated that construction costs equal \$1 million to accommodate one additional four-year student. By using already existing facilities, WAMI saves these costly construction dollars. Expense of addition residential faculty is minimized by including practicing physicians in the community on the staff for varying periods of time.

Dr. Schwarz said the WAMI plan enables entering medical students to take at least the first two quarters of their basic science requirements at a participating university or college in one of the four states. The students then attend the U. of W. to receive the remaining portions of their basic medical training.

He said that during the elective phase of their curriculum, they may spend six weeks in a community clinical unit. Here they will gain valuable experience in the actual practice of medicine

in a rural community, working with physicians in private practice, in hospitals, community clinics, offices and at the bedside. As residents, they again have the opportunity to return to practice in the community clinical units. It is hoped that the students and residents will become involved with the community life. In most instances, it will be possible to send their wives and family with them. Since evidence suggests that physicians return to practice in the region where they receive their residency training, these experiences may help to correct the uneven distribution of physicians between urban and rural communities. Both students and practicing physicians may benefit by this exchange. Community practitioners will more quickly gain knowledge of clinical application of new research flowing from medical centers.

Dr. Schwarz said that within the next three or four months they plan to set up a formal unit and will send the students up for a six-week training period. This is paid for by the Commonwealth Fund of New York City. They hope to expand this experience in Montana and Idaho by a grant from the Manpower Administration.

Dr. Schwarz said that the purpose of this trip to Alaska was to determine whether there was any interest on the part of University officials and the state for expanding the concept to include training programs and dentistry. They had no formal program to offer as they were just in the early stages of discussion. He asked Dr. Hickey, the head of the U. of W. Dental School, to speak to the committee.

Dr. Hickey said that a dental school is a geographical resource with a geographical limit to patients. He explained that they limit their enrollment and that 80% of their enrollment is to Washington residents and the other 20% is for residents of the Western State Commission.

Dr. Hickey said that the opportunities for residents of those states without dental schools to be admitted is becoming increasingly difficult. For this reason he had agreed to come to Alaska at this time to see whether there was an interest in expanding the WAMI program to include dentistry.

Mr. Haugen asked what it would take to participate, and Dr. Hickey said it would take an indication from the dental profession that there is an interest, and an expression of interest from the institution of higher learning in Alaska to participate. He pointed out that the practicing dentists would have to become teachers in the program.

Mr. Kerttula asked whether a legislative resolution would be

of any help, and Dr. Schwarz thought it would be a very valuable thing to have.

Mr. Wright said he would see about getting a resolution from the Dental Association.

RECESS Meeting recessed at 4:40 p.m.

AFTER RECESS

4:45 p.m.

PRESENT Members of House Finance Committee. Dr. McLean and Dr. Starcher, consultants for the Study of Alaska Higher Education, were present. Dr. William Wood, President of the University of Alaska, and members of his staff were also present. Mr. Mario Martini, Management Consultant for the U. of A. was present to testify.

U. of A. Max Hollinger said that last year Mr. Martini had made a model to review the instructional budget and library budget. This year he had expanded it to include the physical plant. He asked Mr. Martini to discuss his model.

Mr. Martini said that his participation in the development of the University's budget was limited to the development of these models. He wanted to limit the discussion to the models themselves. He differentiated between a model and a formula. To him, a formula is something that went through the use of complex or mathematical means to give detailed and mathematical explanations. He said you mainly apply formula which will hold. For example, if one wanted to find the amount of interest earned over a period of time, he would apply formula to determine the specific amount of money which would be earned. He said a model was merely a means whereby the analyst has the opportunity to prepare certain actual data versus certain assumptions that can be made. He said the assumptions could be made over controlled situations and hopefully it will give an answer compared to the actual situation, and at that time they can draw conclusions.

Mr. Martini said that was why they should not necessarily approach a budget document merely through the use of either. Hopefully, a model can help to determine whether the information in the budget has substance.

He said that he illustrated the development of instructional cost from the model standpoint utilizing actual and projected data. He referred to Schedule 1. He said he arrived at the factor of 225 by multiplying the number of student credit hours by the number of full-time equivalency students. He said the model covered regular cost areas and other cost areas. He stated the model analyzed the total program costs for each one of the departments and showed which exceeded the average rule. He said that any which exceeded by more than 50% were included in the high cost areas. For example, music is a high cost area because of the individual instruction between pupil and teacher.

Mr. Martini said the model described the ratio of teacher to