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HOUSE FINANCE COMMITTEE  
January 16, 1973  
10:40 A. M.

PRESENT: Representative Hillstrand, Chairman; Representative Haugen, Vice Chairman; and Representatives Warwick, Saylor, Specking, Ose, Barber, Freeman and Ferguson. Also present were: Myrton Charney, Director of the Division of Budget and Management; Mrs. Terry Shattuck, Administrative Assistant, Division of Elections; and Ed Anders, Alaska Administrative Code Coordinator, Office of the Lieutenant Governor.

HB 54 Chairman Hillstrand stated that the purpose of the meeting was to consider HOUSE BILL 54, "An Act making a special appropriation to the lieutenant governor for the special congressional election; and providing for an effective date." He asked Representative Saylor, Chairman of the Sub-committee on this bill, to make his recommendations to the committee.

Representative Saylor stated that he had invited Mrs. Shattuck, Mr. Anders and Mr. Charney to the meeting to testify on the bill, and that Mr. Charney had informed him that the state budget had an unappropriated surplus of \$600 million and could stand the \$200 thousand withdrawal to fund the special election in March. Representative Saylor stated that he would recommend that the committee give the bill favorable consideration.

Chairman Hillstrand stated that the committee would proceed on the concept that once the presentation was made by the sub-committee chairman, he would be asked, "Is that all you have to say?" Representative Saylor stated that he had nothing further to say, and Chairman Hillstrand called for questions from the rest of the committee.

Representative Barber asked where the \$600 million was that the state had to work on. Chairman Hillstrand stated that this question was not material or germane; he said the question is, "Is the measure a responsible effort, and are we going to fund it?"

Representative Ose had no questions.

Representative Ferguson asked at what rate the people who counted ballots would be paid. Mrs. Shattuck stated they would receive \$3.50 per hour. Representative Ferguson asked how many people would be employed; Mrs. Shattuck replied that there would be 4 per precinct, and there are 433 precincts in the state. She stated further that the Division of Elections had computed the cost at 4 hours of counting time per precinct, although some larger precincts would require up to 12 hours of counting time.

Representative Specking asked if a breakdown of the \$200,000 requested by the bill was available. Mr. Anders supplied him with a breakdown.

Representative Freeman asked if Representative Saylor had recommended that the bill be amended to the higher figure of \$218 thousand which the administration had recommended. Representative Saylor stated that he had not recommended the increased figure, but had recommended that the bill be passed from committee in its present form.

Representative Haugen asked how much of the current appropriation (FY 73) was on hand. Mrs. Shattuck stated the amount was \$28 thousand as of January 10, 1973; this amount includes the balance left from the \$90 thousand appropriated for reapportionment.

Mrs. Shattuck stated that the amount needed to cover the expenses of the Division of Elections and the cost of the special election was \$246,000; the division asked for \$218 thousand, but the bill was put in final form at a figure of \$200 thousand before the estimate was completed.

Representative Warwick asked if the \$28 thousand would lapse if it weren't for the special election. Mrs. Shattuck said it would not; that amount is all that is left to fund the operations of the Division of Elections until the end of the fiscal year; this is due to the fact that the division has overexpended its appropriation because of problems of reapportionment and legal problems concerning the general election.

Representative Warwick asked about specific amounts in the breakdown. Mrs. Shattuck stated that no overtime was included in the request; all employees had agreed to take compensatory time in lieu of payment for overtime occasioned by the special election; all of the amount under contractual services is attributable to the special election except the amount for rent (although additional office space was required because of the special election).

Chairman Hillstrand asked if any other committee members had questions; there were no further questions. Chairman Hillstrand stated that Mrs. Shattuck had indicated to Representative Warwick that \$80 thousand in permanent salaries was included in the request; he said that probably would have been the case even without the special election. Chairman Hillstrand stated that the committee needed to know how much the special election was going to cost the State of Alaska. He asked Mrs. Shattuck to refer to the memo of January 10, copies of which were furnished committee members, and explain to the committee which items were not germane to the holding of the special election but were part of the normal functions of the Division of Elections.

Mrs. Shattuck stated that the \$80 thousand for salaries was not attributable to the special election; most of the travel was not attributable to the special election, except for \$500; most of the postage in contractual services is attributable to the special election; the rent figure is a normal expense; everything else listed is attributable to the special election.

Chairman Hillstrand restated the deletions for operating expenses of the division and said the cost of the special election would then be \$99.8 thousand, and asked if all the members understood what had just been done.

Representative Freeman asked if the permanent salaries should not be pro-rated since these employees would be working on the special election. Chairman Hillstrand said that might be rational, but he didn't feel that they should be funded for that reason.

Representative Saylor stated that his total of expenses for the special election came to \$136.2 thousand. Chairman Hillstrand instructed the staff to total the expenses for the election; this was done and the total arrived at was \$146,200.

Chairman Hillstrand asked Representative Saylor if he wished his witnesses to testify further on the bill. Representative Saylor asked Mr. Charney to offer his testimony.

Mr. Charney stated that HOUSE BILL 54 was introduced prior to the analysis performed by the Division of Elections being completed. He said that he could speak for the Governor who would support the request in the amount of \$218,000, and he requested the committee to amend the bill to that amount. Chairman Hillstrand thanked Mr. Charney for his remarks.

Representative Freeman asked how much would be expended on temporary employees for the special election. Mrs. Shattuck stated the amount was \$10,000. She stated further that when the Lieutenant Governor asked for the figure to be included in the bill, the division estimated not just what was needed for the special election, but what was needed for the division to complete the fiscal year. She said the division did not feel that the bill would be introduced as a supplemental just to fund the special election. Mr. Anders said that \$218 thousand was needed to carry the division until the end of the fiscal year.

Representative Warwick stated that the budget document supplement alludes to the supplemental as being caused by the untimely death of Congressman Begich; but that it turns out that only about one-half is for that purpose and one-half is for division overruns. He stated that it seems that is the real issue.

Representative Freeman stated that the request does not jibe with the language of the bill; they are asking for a supplemental rather than for funds to cover the special election.

Mr. Charney stated that \$150 thousand of the request was specifically for the special election. Chairman Hillstrand stated that the supplemental should cover only the costs of the special election and not pick up any odds and ends. In the future, if testimony shows that the committee is not getting the true story, it is going to be tough.

Representative Saylor stated that, perhaps due to his inexperience in handling things of this nature, he did not ask the specific questions needed.

Representative Warwick asked Mr. Charney how the total cost of the special election could be \$150,000 when the permanent salaries had to be subtracted from the \$200,000 requested and that amount was \$80,000. Mr. Charney stated there was \$28,000 available to fund those salaries.

Chairman Hillstrand asked Representative Saylor if he was finished with his witnesses; Representative Saylor stated that he was. The witnesses left the meeting at 11:02 a.m.

Representative Saylor stated that he had some knowledge of the conducting of elections through past experience with the Anchorage Borough, and that it was a nebulous thing, especially when hand-counting as any number of human errors can take place. He stated he would rather recommend a larger amount, even knowing there might be some surplus. Representative Saylor stated he would recommend the total amount of the bill.

Representative Ferguson stated that it had been mentioned that there are 433 precincts which comes to \$72 thousand and \$25 thousand for additional costs has been requested. He said that in the precincts in his district, the full amount would not be utilized; he felt that the division was requesting more money than they would need.

Representative Saylor stated that Mrs. Shattuck had said that the larger precincts would have additional counters and that would be where the additional costs would come in.

Representative Ferguson said he felt this would be mostly in Anchorage and Fairbanks, but that they would be underexpended in other areas and that should take care of it.

Chairman Hillstrand asked Representative Saylor to reconsider his recommendation to approve the bill as written and to consider an amendment to Line 10 of the bill, changing the amount from \$200,000 to \$146,200. He stated this figure could be justified on the floor of the House.

Representative Saylor moved that HOUSE BILL 54 be amended on Line 10, changing the figure from \$200,000 to \$146,200 and that the bill, as amended, be passed from committee with a "do pass" recommendation. There were no objections to the motion, and House Bill 54, as amended, passed from committee with a unanimous "do pass".

RECESS

A recess was called at 11:15 a.m.

HOUSE FINANCE COMMITTEE

January 18, 1973

11:15 A. M.

PRESENT: All members.

Chairman Hillstrand called the meeting to order and explained the purpose of the meeting was for each subcommittee to give a status of the bills that had been assigned.

HB 54 Chairman Hillstrand noted that HOUSE BILL 54 (An Act making a special appropriation to the lieutenant governor for the special congressional election; and providing for an effective date) which had passed from committee on January 16, had been recalled to the committee. He said the Chair and staff had discussed this bill and decided to bring it back for two reasons. First, it was felt that there had not been close enough attention paid to the consideration of how much the special election would cost. Second, the information that the committee wants is possessed by staff members of the Legislative Budget and Audit Committee. There is an audit presently underway of the Governor's Office. The Chairman explained that one of the limitations of an audit report is that the Budget and Audit Committee does not permit distribution of this information until it is furnished to the Governor. He said he is requesting that the Budget and Audit Committee make this information available to the Finance Committee. The Chairman said when this information is obtained HB 54 will be brought back before the Committee.

HB 10 The Chairman asked the status of HOUSE BILL NO. 10 (an Act establishing the general revenue fund). Mr. Saylor noted that he is trying to get information on a bill introduced last year by Senator Rettig. He said as soon as this information is available he will call a subcommittee meeting and the bill will probably be presented to the committee next Thursday (January 25).

HJR 3 Mr. Saylor said that the comments on HB 10 also apply to HOUSE JOINT RESOLUTION 3 (Amending the constitution to provide for a general revenue fund).

HB 56 Chairman Hillstrand asked the status of HOUSE BILL 56 (increasing the tax on cigarettes). Mr. Saylor said he is gathering information on this bill. He said he planned to report the bill out by a week from Tuesday (January 30) and should be able to make a presentation next Tuesday (January 23).

- HB 60 Mr. Saylor said that he is working on HOUSE BILL 60 (supplemental to Public Works, Division of Communications) and should be ready to report on this by next Tuesday (January 23).
- HB 61 Mr. Haugen said he plans a subcommittee meeting tomorrow morning (January 19) with the Senate regarding HOUSE BILL 61 (Supplemental to Administration, Labor Relations Agency). He said he planned to have this bill ready for the committee's consideration at the first of next week. The Chairman suggested Mr. Haugen set a time for consideration of this bill and notify the staff.
- HB 62 The Chairman asked for a status report on HOUSE BILL 62 (Supplemental to Public Works, Marine Transportation). Mr. Barber said that he was "ready to go" on this bill but had not had a chance to discuss with the Chairman the type of presentation he wished. Mr. Barber said that Commissioner Easley would be out of town during the coming week and this would have to be taken into consideration when scheduling this bill.

The Chairman said he thought the presentation before the Committee should be the same type as will be made on the House floor.

Mr. Barber said he would like to know the policy of the committee. He pointed out that in the case of HB 62 there had been a deletion by Budget and Management of \$160,000. He said this deletion covered such items as a new crank shaft for the Taku and a replacement gear for the Malaspina. He added that these are items that are going to have to be found in other places in the Marine Transportation budget.

The Committee then discussed an appropriate time for scheduling HB 62 and decided on 8:30 a.m., January 19, and requested that Commissioner Easley, Mr. Esmond and Mr. Charney be requested to attend the meeting.

- HB 63 Mr. Ose said that he has not been able to begin work on HOUSE BILL 63 (Supplemental to Administration, Teachers Retirement). He said he would try to be ready for his presentation before the committee by the following Friday (January 26).
- HB 64 Mr. Ose said he is working on HOUSE BILL 64 (Supplemental to University of Alaska) and hopefully will have this information by Tuesday (January 23).
- HB 65 Mr. Ose reported that HOUSE BILL 65 (Supplemental to State-Operated Schools) is very "fouled up" and that

Mr. Stanley Friese would be called to Juneau to speak on the bill.

- HB 66 Mr. Specking said that he had just recently been able to work on HOUSE BILL 66 (Supplemental to Military Affairs). He said at this point he could see no problem. In answer to the Chairman, Mr. Specking said he would "shoot" to have this ready by Thursday (January 25).
- HB 67 Mr. Haugen said he had scheduled subcommittee work on HOUSE BILL 67 (Supplemental to Administration, Alaska Longevity Bonus Program) for tomorrow and should have his presentation for the committee by Monday (January 22).
- HF 8 Mr. Specking said that he had collected quite a bit of data on HOUSE BILL 8 (GO Bonds - \$11,500,000) and felt he could be ready by next Thursday (January 25). The Chairman suggested he might meet with the subcommittee on Saturday and Sunday as this is tied in with the special election. Mr. Specking said that he would work towards this goal. He added that he could be more definite on a status of this bill at the meeting tomorrow (January 19).
- HB 71 Mr. Barber spoke briefly on HOUSE BILL 71 (Making special appropriations for the limited entry program for commercial fisheries). (NOTE: THIS BILL IS NOT YET IN COMMITTEE.) He requested that the staff provide him with a breakdown of this bill.

The Chairman said that he felt it would be good to have assignments which relate to policy. He said the committee would have a policy committee on the subject "How Best to Use Alaskan Surplus or Retirement Funds." He appointed Mr. Ferguson as Chairman and Mr. Barber and Mr. Freeman as subcommittee members.

The Chairman said the next policy committee would be on "When We Are Out of Dough Where Do We Go." He said that Mr. Warwick would be the Chairman with Mr. Specking and Mr. Ose as subcommittee members. The Chairman said he did not intend this to be taken in a light frame of mind and felt this was something the committee should consider. There was a brief discussion on what this committee would consider. Mr. Warwick said he planned to present the Finance Committee a report on this within two to three weeks.

The Chairman suggested that Mr. Specking consider the state employees' reaction concerning the Salary Survey. This was briefly discussed and the meeting adjourned at 11:49 a.m.

HOUSE FINANCE COMMITTEE  
January 19, 1972  
8:45 A. M.

PRESENT: All members. Bill Sheffield, Sheffield Enterprises

HB 8 Chairman Hillstrand called the meeting to order and stated Representative Specking would report on HOUSE BILL 8 (Providing for the issuance of general obligation bonds in the amount of \$11,500,000 for the purpose of paying the cost of capital improvements for civic, convention and community recreation centers).

Representative Specking explained that the basic legislation provided for a 50/50 match in state/local funds for communities desiring to build convention centers (Chapter 114, 1971), and that \$200,000 was budgeted for planning in 1971. He referred to a breakdown of communities requesting state aid in this project (see bill file). When put on the ballot last year, the measure failed to pass; however, one large community is seeking to have the measure reintroduced. The original legislation did not contain the provision for a domed stadium, which was included in the referendum submitted to the voters. Representative Specking stated that perhaps this, which could have related only to Anchorage, was the reason the bond issue failed. Mr. Sheffield, Sheffield Enterprises, was introduced to the committee by Representative Specking and asked to testify on HB 8.

Mr. Sheffield explained that Anchorage is the only city which completed their study, but it is his understanding that several other cities are almost prepared to submit their feasibility studies. He agreed with Representative Specking that the results show the domed stadium attached to the bill helped defeat the measure in the last election, as Anchorage could be the only city with enough population to merit such a stadium. The tourist industry did not tell the story as it needed to be told to the voters, continued Mr. Sheffield. The Department of Economic Development does have one person soliciting conventions for Alaska; however, many smaller conventions could be brought to Alaska if facilities were available. The conventioners and others who travel within the state would prefer smaller towns as they have already been to large cities, and travel, tourist and convention spending is growing - 10 to 12% per year. Convention business would be in the off-season, spending on the part of the conventioners is good, and more dollars would be provided to the state's revenues. Mr. Sheffield concluded by stating the convention centers could be combined with local activities, such as fine arts, recreation, etc. He asked if the committee had any questions.

Representative Specking asked if Anchorage is considered a small town in the eyes of a conventioner compared to San Francisco or New York. Mr. Sheffield replied within Alaska Anchorage is

considered large, whereas outside of Alaska it would be considered a small town. Answering further questions from Representative Specking, Mr. Sheffield stated he did not have the exact dollar figure of economic benefit to the state, but last year it was estimated that tourists brought between \$40 to \$50 million to Alaska. He added that convention business would bring more money than tourism. The Department of Economic Development would most likely have more details on exact dollar spending.

The committee was then asked for questions, and Representative Barber requested information on the hotel space available if such centers were built. Mr. Sheffield replied that Anchorage hosts all the large conventions, and that city added 1,000 new rooms in the last year for approximately 3,000 first-class hotel rooms. A convention could be held for 2,000 people in Anchorage if such a center were built.

Representative Ose asked what additional conventions could be held in Anchorage, to which Mr. Sheffield said they are bidding now for the American Society of Travel Agents, which would bring about 1,000 people. There were well over 1,000 people attending the American Indian Conference and Anchorage also hosted the Western Loggers convention. The travel industry is booking conventions three to five years in advance, and with a convention center Anchorage could bid for conventions. At present it is difficult to hold a convention for 1,000 people, and during the American Indian Conference a buffet dinner was set up in the sport arena; whereas possibly 1,500 to 2,000 people could be fed under one roof if a convention center were built.

Representative Ose then questioned the other uses the convention center could provide and Mr. Sheffield said local groups could hold meetings in small rooms within the center and perhaps sports activities held (basketball).

In reply to further questions from Representative Ose, Mr. Sheffield said the industries to profit from conventions would be transportation, hotels, gift shops, cocktail lounges, taxi operators, bus lines, etc. However, he added, the tourist and convention dollar would circulate throughout the community and profit the entire economy.

Representative Freeman stated that it would probably be more important to smaller communities to have convention centers than to the City of Anchorage, but smaller communities did not have adequate hotel facilities. Mr. Sheffield said it is difficult to coordinate the two, but once a convention center was built it would be a good base for the community. Sitka has one of the nicest convention centers but not enough hotel rooms to back it up. Ketchikan has had to cancel five conventions due to lack of facilities. It hurts the smaller communities because they need

this money, but within a period of time the number of hotel rooms should balance out with the addition of a convention center. Private enterprise cannot build centers economically, although they do need the space.

Representative Barber asked if, in the case of Anchorage, a great many tours spin off to various communities in Alaska. Mr. Sheffield said they do, as conventions come to Anchorage and the tourist industry tries to sell them pre and post-convention tours.

Representative Specking asked if Mr. Sheffield could explain the need for such centers, as he envisions them standing idle a major portion of the time. Are these types of facilities outside overloaded to the point where conventioners would want to come here? Mr. Sheffield said Alaska has a unique situation and is different from other states. People want to come here, as interest is high to see the "last frontier". The large firms have the money to send people up here and the convention center in Anchorage would be able to pay its debt service. Mr. Sheffield added that he did not think it would be possible to show a profit. Hotels in Anchorage have agreed to submit themselves to a 3% room tax to help pay for this. As far as usage, properly promoted and properly operated, it could be put to good use in conjunction with fine arts and sports programs.

Representative Ose said criticism is heard because schools are only used nine months of the year and stand idle for three months, and asked if the same criticism would be heard about the convention centers. Mr. Sheffield replied the centers would perhaps be idle two or three days at a time, but not any longer. To return to another point mentioned earlier, Mr. Sheffield did want to clarify that restaurants were not planned in the convention centers, but catering services would provide dinners.

Representative Hillstrand questioned who would receive the 3% tax levied on the hotels, to which Mr. Sheffield replied it would go to the city. Representative Hillstrand then stated a new hotel in Anchorage, built by Mr. Hickel, would accommodate 1,000 diners, and asked if this would preclude the possibility of a convention center. Mr. Sheffield said he did not know.

The committee recessed at 9:15 A. M.

AFTER RECESS  
9:25 A.M.

PRESENT: All members. Mrs. Irene Ryan, Commissioner; John R. Werner, Deputy Commissioner, Department of Economic Development

HB 8 Chairman Hillstrand called the meeting to order to hear further testimony on HB 8.

Representative Specking introduced Mrs. Irene Ryan and John R. Werner from the Department of Economic Development. Mrs. Ryan opened the discussion with a brief statement: The civic center concept added to this legislation has made it possible for smaller communities to participate, and the economic benefits would add greatly to their economies. Many of the conventioners are Alaskans who would prefer to hold their meetings in small communities and Masons, Elks, Pioneers, educational groups, labor unions, would hold their conventions in the smaller communities if facilities were available. It is the feeling of the Department of Economic Development that, based on the applications on file, the state share would be \$14 million instead of \$11.5 on the existing bond issue. However, many of these smaller communities have indicated no way of how they are going to pay their 50% share, and it is the feeling that many communities would take years to come up with matching funds, in which case some of these applications would not be in a position to be acted upon until another legislature meets. In the case of the large convention halls, such as envisioned for Anchorage, and conventions of specialized areas of activity such as dentists, engineers, industrial conventions, etc., space requirements are not only for meetings but for displays of wares and goods that manufacturers would like to sell. Mrs. Ryan concluded by stating the needs of a large community differ from a small community.

Mr. Werner distributed explanatory charts on HB 8 (see bill file), briefly explained same, and asked if the committee had any questions. Representative Specking referred to Mr. Werner's memorandum of January 18 and noted Kotzebue listed projects costs at \$900,000 and showed the state's portion as only \$300,000. Mr. Werner said Kotzebue had indicated to him that they had lined up other sources of funding.

Representative Ose questioned the amount of use such convention centers would receive, to which Mr. Werner replied it would depend on the needs of individual communities. For example, if a swimming pool were included, it could be used all year. He did not believe a small community would plan a building they would not use, and perhaps Mr. Ose's community did not require such a facility as they were not listed among those who submitted feasibility studies to the state. Mr. Werner repeated it would depend on the communities' needs, as they would be paying 50% of the cost.

Representative Ose asked if there would be competition between communities to attract conventions, to which Mr. Werner replied that Kenai would be the most likely to attract conventions, most of which are currently being held in Anchorage. Representative Ose stated the primary emphasis seemed to be on conventions; however, Mr. Werner said this is not necessarily true and the primary emphasis should be on the community's need.

Representative Ferguson questioned federal participation. Mr. Werner said that any assistance from the federal government would be deducted from the project costs and the balance of the cost be split 50/50 between the community and the state.

Representative Warwick asked which of the communities would go ahead with convention centers if the project was approved. Mr. Werner said the Dept. of Economic Development has only one completed feasibility study, Anchorage, but others are in the process of completing their studies as follows: Kenai - 50% complete; Ketchikan - 80%; Juneau-90%; Kodiak - 90%.

The feasibility studies show a need for 14.5 million as the state's share, and Representative Warwick asked if this should not be the amount requested on the bond issue. Mr. Werner said a community like Juneau wouldn't start their building for another two or three years, and then possibly there would be a need for another bond issue.

The committee discussed further questions on HB 8, but time was short and it was decided to vote. Representative Warwick moved the committee pass HB 8 out of committee with individual recommendations.

Representative Ferguson asked for discussion on the possibility of putting the bonding issue before the voters without specifying an exact amount of money. The legislature, or possibly the finance committee, could determine the amount needed as projects were brought before them for approval. Rep. Hillstrand said most of the legislators believe that in order to secure proper approval by the voter, the bond issue should be specific in its amount and purpose. The committee discussed the pros and cons briefly. Mrs. Ryan stated the Dept. of Economic Development would like to see a sufficient amount of money to cover all applications, but what they are hoping for is at least \$11.5 million on the ballot this time with the hope that if the program is successful the legislature will increase the amount. If not on the ballot the program will be definitely rejected as far as the feasibility studies, as changes in planning costs will cause the studies to be out of date if nothing is done. She urged that at least \$11.5 million be considered at this time.

Chairman Hillstrand noted a motion was before the committee to report HB 8 out with individual recommendations. No objection, so ordered.

The meeting adjourned at 10:00 A.M.

HOUSE FINANCE COMMITTEE  
January 22, 1973  
8:40 A.M.

PRESENT: All members with the exception of Representative Saylor.

Chairman Hillstrand called the meeting to order and asked for progress reports from the committee on sub-committee assignments. The members reported as follows:

HB 62 Representative Barber, assigned HOUSE BILL NO. 62 (An Act making a supplemental appropriation to the Department of Public Works, marine transportation), stated in excess of \$160,000 has unquestionably been spent by the department which was not provided for in the budget. Commissioner Easley has requested that further action be deferred until he has had an opportunity to discuss this measure with the Governor. Rep. Barber believes HB 62 can tentatively be scheduled for January 25 or 26.

HB 64 Representative Ose asked that HOUSE BILL NO. 64 (An Act making a supplemental appropriation to the University of Alaska) and HOUSE BILL NO. 65 (An Act making supplemental appropriations to the Alaska State-Operated School System) be scheduled for next week. Mr. Friese, State-Operated Schools, will be in town possibly next Wednesday and would like to attend the hearing on HB 65. Rep. Ose asked that no action be taken regarding HB 65 until after hearing from Mr. Friese.

Rep. Hillstrand announced to the committee that Josh Wright has been employed as an Administrative Assistant to aid with legislation on State-Operated Schools and school boards, local and otherwise. Send requests for information to him, not only on these bills but on anything else pertaining to this category, and he will help to the extent possible.

HB 66 Representative Specking reported HOUSE BILL 66 (An Act making supplemental appropriation to the Department of Military Affairs) will be ready to present to the committee on Wednesday, January 24.

HB 67 HOUSE BILL NO. 67 (An Act making a supplemental appropriation to the Department of Administration, Alaska longevity bonus program) can be available for an afternoon meeting, according to Mr. Haugen. A meeting was scheduled for 1:30 P.M. by Chairman Hillstrand.

HB 57 Representative Warwick reported HOUSE BILL NO. 57 (An Act relating to the Alaska business license tax on national banks) would be ready within a few days. He would like the committee to hear testimony from state agency representatives and someone from the banking industry. Chairman Hillstrand suggested 8:30 A.M. Tuesday.

Rep. Hillstrand noted HOUSE BILL NO. 8 (An Act providing for the issuance of general obligation bonds in the amount of \$11.5 million for the purpose of paying the cost of capital improvements for civic, convention and community recreation centers) was on the House calendar with various recommendations by the Finance Committee. He stated that perhaps on other measures, hopefully the committee will be more unified in their recommendations. Rep. Specking will be responsible for this measure and John Werner's testimony will be included in the Committee Report. Rep. Hillstrand said he will bring up federal participation on the floor, since it seems unfair to him because the citizen taxpayer does not get any money back. Rep. Specking noted he was very concerned that the domed stadium be left on the books as the Senate is introducing legislation to fund that concept. Rep. Hillstrand said his reaction is that it is a marriage of non-similar purposes, with two different ideas in one bill. Discussion continued on this subject.

Rep. Warwick mentioned that in the past the Finance Committee attempted to work as a unit, and unity is lost if amendments are offered on the floor. Differences should be settled in the committee and not on the floor of the House. Rep. Freeman agreed this was a good point, with the exception of HB 8, as the committee did not have an opportunity for full discussion of this measure. The committee questioned the deadline for final passage of the bill and it was noted the election board needed a final ballot by January 25 in order to distribute ballots throughout Alaska.

Rep. Ferguson said he will bring up an amendment on the floor proposing the \$11.5 million be left in the bill but that the legislature should allocate the money instead of the Dept. of Economic Development. Jay Hogan was called into the meeting to see if this could be done. Mr. Hogan said it was possible, but the theory has been that authorization to sell bonds should contain appropriation measures from the fund created. However, the legislature could make the appropriations instead of the Department of Economic Development. The committee discussed this possibility, and it was noted the legislature would not be in session long enough this year to make appropriations as the election is scheduled for March 6. There is some doubt that all the planning would be ready in time, as Anchorage is the only city which has completed their feasibility study. Rep. Specking left the meeting to ascertain from the election board when the ballots must be ready, and returned with the information that the date of January 25 is firm since they must be ready to be put on the barge leaving for the Aleutians shortly thereafter. After further discussion, a vote was taken to see which members of the committee would agree with Rep. Ferguson's amendment and the measure failed by a vote of six to two (Rep. Saylor was absent from the meeting).

HB 61

Rep. Haugen reported on HOUSE BILL NO. 61 (An Act making a supplemental appropriation to the Department of Administration, labor relations agency) saying Pat Hunt and possibly John Carter would like to testify on the bill. Chairman Hillstrand scheduled a meeting on HB 61 for 3:00 P.M., January 22, immediately following the hearing on HB 67.

Short-form budgets

Mr. Hogan distributed copies of the short-form budget covering the program categories of Health and Development. He explained to the committee that this is an extension of work done in prior years and, in effect, reduces the material presented in the budget books to simplify and expedite work on the budget. He suggested the sub-committees schedule work sessions for a few afternoons in order to familiarize the members with the short-forms.

Recess:

The meeting recessed at 9:55 a.m.

AFTER RECESS  
2:20 p.m.

PRESENT: All members; Mr. Robert Gates, Benefits Administrator, Department of Administration; Ms. Lois Palmquist, Longevity Bonus Program Administrator, Department of Administration.

Chairman Hillstrand called the meeting to order and called the members' attention to the List of Bills Referred to House Finance, stating that the committee would continue with the pick and shovel work on a program basis.

HB 67 Chairman Hillstrand stated that the committee would consider HOUSE BILL 67, "An Act making a supplemental appropriation to the Department of Administration, Alaska longevity bonus program; and providing for an effective date." He turned the meeting over to Representative Haugen, subcommittee chairman on this bill.

Representative Haugen stated that this bill was filed at the request of the Governor and was a request for an appropriation in the amount of \$1.5 million to fund out the senior citizens' benefits until July 1, 1973. He stated that the bill that passed last session funded the program at \$1 million; based on the number of applicants that applied for payment on January 1, 1973, the funds are obviously not sufficient. The first round of payments totaled \$378,600 for 3,641 applicants. Based on the requirements until July 1 and the \$87,000 administrative costs, the program needs a total of \$2,275,000 for FY 73.

Representative Haugen said that more applications are coming in each day, and it is assumed that February 1 there will be 3,900 applicants, increasing at 100 per month, to 4,300 on June 1. After that point, the FY 74 budget will meet the requirements of the law. Representative Haugen said that if the committee deals strictly with the bill as it was passed, and assuming that the facts are correct, the state has an obligation it has to meet in funding out the program.

Chairman Hillstrand stated that there were several avenues to follow in the consideration of the bill; Representative Haugen stated that the approach he would prefer to take would be from the standpoint of what the existing law requires.

Representative Haugen stated that at the beginning of the program, anyone who wanted to apply for the benefits had to fill out a form; Representative Haugen stated he believed it was an affidavit.

Mr. Gates stated that there was quite a lot of information on the form and references are required to verify information. On initial verification, the applications were rated on a scale of 1 to 3. Mr. Gates said they have started going through the applications and taking out those which seem to have some questions on their length of residency. Many of these questions can be taken care of at the time the application is received. He said that, generally, in the checks that they have made, they have been able to verify quite satisfactorily.

Representative Ose referred to the "Case Count As of 1/18/73" (copy attached) and asked what the "out of state" case count represented. Ms. Palmquist stated that these were people who had made application while in the state and who had then left the state. When someone receiving the benefit anticipates they will be gone for 30 days, the check is stopped. Mr. Gates said the authorization for continuing warrants is pulled until further notice is received.

Representative Specking asked if the check envelopes were marked in such a way as to preclude their being forwarded out of the state. Mr. Gates stated that they were marked on the envelope, "Do Not Forward -- Return to Sender".

Representative Warwick asked what would happen if a person were eligible in January but did not apply for benefits until June--would he receive retroactive benefits. Mr. Gates said that he would not; payments begin on the first of the month.

Representative Barber asked if he applied as of January 22, would he receive a check for January. Ms. Palmquist said he would not, but his payment would be approved for February. She stated further that there is a cut-off date on the 15th of each month; applicants after that time have to wait a month to receive their benefits.

Representative Ose asked if it is necessary to reapply for the benefit each month or if it is an automatic procedure. Ms. Palmquist said that it is automatic; there is a stub attached to the check which is pre-stamped and addressed to her office. The applicant simply signs it and mails it unless he has a change of address.

Representative Haugen asked what happens if a beneficiary of the program is out of the state for an extended time for medical attention. Ms. Palmquist said that the payment is discontinued, but the applicant does not lose his eligibility. He does not receive a check for the period of time he is out of the state. She said it does seem to

be a problem with people with serious medical problems, but there is no way the state can make the payment under the existing law. She said, however, that the Commissioner can, under the regulations, give a 180 day leeway.

Representative Saylor asked what type of investigative procedures are used to determine eligibility. Ms. Palmquist stated that their staff consists of only 4 people: a part-time accountant; a part-time coordinator who works with data processing; a secretary; and Ms. Palmquist herself. She said they have no investigative personnel. She stated that they ask for some evidence of birthdate if they were born in 1907. She said they are proceeding on the experience of other agencies that, with the large majority of people, you can depend on their statements in an affidavit type form. The only problems arise in breaks in residency.

Representative Saylor asked what would happen if a recipient resided with his children and received his benefit at their address, left the state, and his benefit was forwarded by his child. Mr. Gates stated that they check the endorsements on reapplications; he stated that they had devised no way to check on the payment being returned to Alaska and deposited in a bank account here, and there does not seem to be a simple or inexpensive way to check on this type of abuse.

Chairman Hillstrand asked if the department was comfortable with the number of eligible enrollees or did it feel that there were some people enrolled who were not eligible. Ms. Palmquist said the great majority are very clearly eligible on the face of their application--they have resided in the state 25 years and are over 65 years of age. The number being held for further verification is really quite small.

Mr. Gates brought out that there were a number of areas in the state which obviously had individuals who were eligible but had not applied.

Chairman Hillstrand asked if there was any reason that members of the Legislature could not be supplied with a list of enrollees in their district. Ms. Palmquist stated that another individual had asked for this information and the department is checking with the Attorney General's office to determine if releasing it would violate the right to privacy law.

Chairman Hillstrand asked what affect this benefit has on other receipts to the enrollees, such as welfare benefits. Ms. Palmquist said that the January bonus will not affect old age assistance in any way, and the department feels that this will be true for February and March, also. After that time, an answer to this question is expected from the Department of Health, Education and Welfare.

Chairman Hillstrand asked what the reason for the delay was. Mr. Gates stated it was because this is one of the first times that HEW has been confronted with a payment of this type; HEW had been notified of the program several months ago, and their best response was to give Alaska a temporary okay to exclude the benefit from calculations on old age assistance payments. Ms. Palmquist stated that HEW Region 10 had been fairly favorable towards the idea of a pilot project, and they are waiting for an answer from Washington, D. C.

In answer to a question from Chairman Hillstrand regarding the 4% administrative cost of the program, Mr. Gates stated that the supplemental did not call for any increase in the appropriation for administrative purposes; the department feels the original amount of \$80,000 will be sufficient. He stated the department is still in the process of getting a feeling of what the difficulties might be as the program continues as far as monitoring eligibility; however, the increase requested is strictly for payment of benefits. Mr. Gates said there is no handle on how many people will be coming under the program other than an estimate of 100 per month, or of the difficulties that will be encountered by absences and death. The department will be looking closely at these problems on the first reapplication period, but the current number of employees should be sufficient.

Representative Clem Tillion arrived at the meeting at 2:50 p.m.

Representative Ose asked if social security information was used in verifications; Mr. Gates stated that federal regulations did not permit them to use this information.

Representative Ose asked if the staff would be adequate to handle the work during the summer season. Mr. Gates said the department has not gone far enough into reapplications to know if at certain times of the year the work load will be heavier, but the funds available are sufficient to hire temporary help to meet this event.

Representative Ose asked if the department was going to continue using the "honor system". Mr. Gates stated that his office does grade the applications as they are received as to sufficiency of information and then those that are lacking receive follow-up. Representative Ose asked how the follow-up was performed; Mr. Gates stated they make written request for more information and utilize the records of Motor Vehicles, the Bureau of Vital Statistics and check out other references.

Representative Saylor asked if any estimate had been done as to the number of people in the state who would be eligible under the program. Mr. Gates said they had not.

Representative Ose asked if the benefit was given outright to people residing in the Pioneer Homes. Ms. Palmquist stated that this money is figured into their income to the Pioneer Home. Representative Ose asked what portion they would receive. Ms. Palmquist said those figures were not available to them, but could be obtained from the Department of Health and Social Services. The resident gets \$30-\$35 per month in cash; in addition, they receive any amount over and above full payment of their fee for residing in the Home.

Mr. Myrton Charney arrived at the meeting at 3:00 p.m.

Representative Haugen stated that if the information was correct and the amount is adequate for this Fiscal Year, next year's appropriation would have to be in the amount of \$4.5 million. Mr. Gates said that would be the case, assuming that the figure of 4,300 recipients was correct for the end of June.

Representative Hillstrand asked if the department had a current record of the number of applications received each day and the locality from which they came. Ms. Palmquist said they do not keep a daily record on the number of applications received. Representative Hillstrand asked what kind of record they would have that the Legislature could look at. Mr. Gates stated they have just now reached the point where some time will be spent by the office in checking the applications to determine what part of the state they represent.

Representative Tillion explained that in 1970 the estimate was made that there would be approximately 4,800 recipients, and he explained how this estimate was made. He stated he believed there were 1,000 people in the state who were eligible but who had not applied. Ms. Palmquist stated she believed that was correct.

Chairman Hillstrand asked if the committee was satisfied that they had enough information to report the bill out. The committee wanted no more information from the witnesses and they left the meeting at 3:10 p.m.

Representative Haugen stated that he was satisfied that the department's figures were accurate. Chairman Hillstrand stated that the committee should estimate the cost of the program to the state into the future. Representative Saylor stated it would eventually run to \$952 million. Representative Haugen stated that if it were funded to the year 2039, it would cost \$982 million.

Chairman Hillstrand stated that assuming there are so many people eligible under the existing law, if you change the law so that the number of recipients decline, so would the cost. He said this is one of the issues facing the Legislature this year, and it would be easier to face this year than next year.

Representative Hillstrand asked if an Attorney General's opinion was available regarding the legality of changing the birthdate as far as eligibility is concerned. Representative Tillion indicated that this backup was available. He asked the committee to consider setting aside 10% of all bonus monies, stating that \$120 million would fund the program indefinitely. He stated that he would advise paying for the program all at one time in this manner rather than appropriating for it each year. Representative Haugen stated that this would take another piece of legislation.

Representative Haugen stated he was satisfied as far as the testimony on the bill was concerned, but changing the law would take another bill than the appropriation.

Chairman Hillstrand stated that if the committee was willing, he would just as soon not turn his back on any problems facing the state.

HB 67

Representative Warwick stated that he felt the committee should act on the supplemental request and consider additional legislation at another time since it would take two pieces of legislation--one to appropriate and one to change the statute.

Representative Haugen moved and asked unanimous consent that HOUSE BILL 67 be moved from committee with a "do pass" recommendation. Representative Ferguson objected, stating that if the request for \$1.5 million is approved, next year the request will be for that amount plus the original appropriation plus whatever else it takes.

Representative Hillstrand stated he did not believe that Mr. Haugen would have any objection to a Finance Committee report on the bill, bringing out the problem of funding the legislation in the future, and including the recommendations of the committee for further legislation.

Representative Haugen said he would suggest that the Committee Report state that the committee had investigated the request for the supplemental and was satisfied that the amount requested will take care of the program until July 1, 1973, but that bare research in the committee indicates that it will be necessary to legislate a new cut-off date for the program.

Representative Freeman stated that he felt that the program had just as good a chance to survive as many others in the state, and that until the oil starts flowing through the pipeline, it should not make that much difference.

Representative Ferguson removed his objection, and the bill passed from committee with a unanimous "do pass" recommendation.

Representative Haugen stated that he would get additional information together for the committee in connection with a bill to change the cutoff date.

Chairman Hillstrand instructed the staff to ascertain the vote on the bill as it passed last session.

RECESS A recess was called at 3:30 p.m.

LONGEVITY BONUS PROGRAM

CASE COUNT AS OF 1/18/73

Checks in January	3,641
Out of state	27
Declinations	2
Deaths	9
Balance	<u>3,603</u>

January checks issued in February	35
	<u>3,638</u>

February approvals to date	<u>231</u>
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Total estimate eligible for February as of 1/18/73	3,834
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Disapproved	21
Pending further information	57

AFTER RECESS

3:40 P. M.

Present: All members with the exception of Representative Warwick. Patrick L. Hunt, Director, Division of Personnel; Ken Cates, Division of Personnel; John Kibbons, Alaska Public Employees Association.

HB 61 Chairman Hillstrand called the meeting to order. Representative Haugen asked the committee to refer to HOUSE BILL NO. 61 (An Act making a supplemental appropriation to the Department of Administration, labor relations agency) and note the narrative contained in the bill file stating the reason for the request. He then asked Pat Hunt for his testimony on HB 61.

Mr. Hunt said this legislation has been before the legislature several times before and passed last year without appropriation of funds. It imposed upon the state the necessity of setting up an agency for state employment, equivalent in Alaska to the National Labor Relations Board. The supplemental request is to provide funding for a labor relations agency and should not be appropriated to the Division of Personnel, as this is not a function of the division. Mr. Hunt continued by saying the Division of Personnel did incur expenses as there is no staff for the labor relations agency, and the requested amount would fund the agency for the remainder of the fiscal year. The agency would then need to be funded in succeeding years. He added that the Department of Labor was set up for local jurisdiction and should be consulted on this measure also, and suggested that the legislature give serious consideration to amend the legislation so that both functions can be performed by one body.

Representative Haugen asked about the Personnel Board, and Mr. Hunt stated the same three people from the Personnel Board sit on this body, although they are not advised or guided by the Division of Personnel.

Mr. John Kibbons stated the Alaska Public Employees Association is aware of the need for this appropriation, and they are in favor of it. Their only hesitation is that it is perhaps a bit small, but he did not have a specific figure in mind.

Rep. Haugen noted the Governor has included approximately a 5% increase for state employees in the budget this year, and asked what would happen if various segments of state employees joined a bargaining association. Would it require a supplemental appropriation, as is required now by the Division of Marine Transportation with their bargaining units? Mr. Kibbons replied

it was their understanding that raises would be bargained one year and appropriated the following year. Mr. Hunt added the negotiations should take place before the budget period and the Division of Personnel could make recommendations. He hoped the Division would not continue with the salary survey, as this would involve two recommendations. They would, however, try to steer the bargaining organizations to their way of thinking.

Rep. Ferguson asked how pay raises are determined, to which Mr. Hunt replied arbitrarily, in the past.

Rep. Saylor's questioned the consultant and asked if he will be carried through the fiscal year. Mr. Hunt said he would. The consultant's fee is \$215 per day, plus expenses.

Rep. Freeman noted the memorandum in the bill file shows the Division of Personnel expects reimbursement for expenses and asked if this will be an interdepartmental transfer. Mr. Hunt said it would be. He added there is a meeting scheduled for January 25 to see what the bargaining units will be. It is costly to travel and hold elections, and \$15,000 has been spent already without even forming the bargaining units. Most of the funds have come from the Department of Administration's budget and the travel and advertising expenses have been paid from the Division of Personnel's budget. Rep. Hillstrand asked for clarification of this, to which Mr. Hunt stated the responsibility in the law for local jurisdiction is with the Department of Labor. The state Personnel Board was given the responsibility to be the state's labor relations agency, conduct elections, determine bargaining units, hear employee complaints, etc. In order to make the law effective, someone had to spend the money to start. The Department of Administration began by contracting Mr. James Lewis of San Francisco to support the Board in this function. The measure was passed at the end of last year's legislature, and possibly it was never intended to be funded, but the agency's assumption has been to the contrary. In addition, Mr. Hunt mentioned the federal government and the state constitution require the merit system, so the present services must be maintained. This will actually result in a dual personnel system.

Rep. Saylor's asked if the administration had given any direction as to the number and size of bargaining units. Mr. Hunt said the state's position is that no unnecessary fragmentation be allowed and the state should have one large bargaining unit. APEA has their petition in. However, the building trades association, covering jobs in construction, differ from office jobs. Marine Transportation would remain as is, with three different agreements in effect. It is proposed that Personnel and Budget & Management jobs be regarded as "confidential" employees. Some states have become so fragmented it is

impossible to operate, and Alaska could have more than 100 agreements. Mr. Hunt said he has made a strong case to the labor relations agency not to go this route.

Rep. Hillstrand questioned the "confidential" bargaining unit. Mr. Hunt said confidential information usually passes from the Personnel Board to the labor relations people and these employees should be in a separate bargaining unit. They should be kept out of the large unit, and should be represented by a unit of their own.

Rep. Hillstrand asked if repeal of the law was ever considered, by the state or by APEA. Mr. Hunt replied it was not considered.

Rep. Hillstrand then asked if Mr. Hunt was prepared to give the pros and cons of the merit system, to which Mr. Hunt stated the state has no choice in this matter as federal funding is involved and the state must have a merit system in order to qualify for this funding. However, collective bargaining law passed last year now states all old systems can be overturned, as the most recent enactment would take precedence.

Rep. Hillstrand asked if any other bargaining units besides the APEA is seeking representation, and Mr. Hunt said 600 or 700 employees have been solicited by Tri Trades, part of the Teamsters Union.

In answer to a question from Rep. Ferguson, Mr. Hunt said the board is budgeted for one three-day meeting per month, the board consisting of three members.

Mr. Hunt requested clarification of one point. Preservation of the merit principle is mentioned twice in the bill, and he asked if the legislature could advise the intent. Rep. Haugen said this will be discussed with the Finance Committee staff and advise Mr. Hunt.

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

HOUSE FINANCE COMMITTEE  
January 23, 1973  
8:30 A.M.

PRESENT: All members. Messrs. Larry Carroll, Chief of the Miscellaneous Tax Section, Department of Revenue; Emmitt Wilson, Deputy Commissioner, Department of Commerce; Harry Lucas from the First National Bank of Anchorage; and Joseph C. McMurray, Director, Division of Banking, Securities, Small Loans and Corporations.

HB 57

Chairman Hillstrand called the meeting to order and explained the purpose of the meeting was to hear testimony on HOUSE BILL 57 (An Act relating to the Alaska business license tax on national banks and state banks, trust companies and savings and loan associations; and providing for an effective date.) The Chairman turned the meeting over to Mr. Warwick, Chairman of the Subcommittee on this bill.

Mr. Warwick introduced Mr. Larry Carroll, who is representing the administration. Mr. Carroll had prepared a folder for each member of the committee with information regarding the tax increase from 2% to 6% as in the original bill and the tax increase from 2% to 8% in the bill as it was amended by the House Commerce Committee.

He explained that federal law prohibits the state from taxing banks the same way as other businesses are taxed. There are only four ways that banks may be taxed. Mr. Warwick requested that Mr. Carroll furnish the committee with the different ways that banks can be taxed by the state.

Mr. Warwick also requested that Mr. Carroll furnish information as to the effect on the state if state and municipal bonds were excluded from the tax.

Mr. Carroll was also requested to furnish information on how the tax figure of 9.6 was arrived at. What was the thinking on the calculations behind this.

Mr. Carroll agreed to have the information on these questions before the Committee at the afternoon meeting.

Mr. Hillstrand requested that Mr. Carroll bring in any of the people in his department who would have anything to add to the Committee's understanding of the bill for a rap session in the afternoon.

Mr. Harry Lucas explained that he could not speak for the First National Bank of Anchorage on the bill at this time as the head office is in Anchorage and they had not sent him any facts or figures on it, but he would be receiving them in the next few days.

Mr. Joseph McMurray explained the position of the Division of Banking to be the same as that presented by Mr. Carroll, in that the banking industry tax had not been changed since 1950, and that it is only appropriate that the tax be increased since other business taxes have been increasing. Also, banking profits on the whole, with very few exceptions, are on the rise so to increase taxes has some significant value.

Mr. Specking requested that the net earnings of banks in Alaska be made available to the committee. Mr. Carroll explained that they were not allowed to disclose any net income from the tax returns.

Chairman Hillstrand set a meeting for next Tuesday (January 30) at 8:30 a.m. to which any member of the banking industry desiring to appear before the Committee is invited to present their views on the tax.

Chairman Hillstrand appointed Mr. Warwick, Chairman, and Messrs. Ferguson and Specking as members of a subcommittee to review the status of the Lost River project as to what has gone on in the past and what effect it will have on the Legislature in the future, so that this Committee can have the background to determine where to go from here.

Chairman Hillstrand also mentioned that he is considering appointing a subcommittee to consider the question of drug abuse since that bill will be appearing in this Committee. This subcommittee will formulate a policy for the House as to how civilized people can remedy their weaknesses concerning the drug question. If any member would like to be on this subcommittee, he is requested to so inform the Chairman.

The Committee recessed at 9:45 a.m.

AFTER RECESS

1:35 P.M.

PRESENT: All members. Mr. Robert G. Dwyre, Deputy Commissioner of Public Works.

HB 60 Chairman Hillstrand turned the meeting over to Mr. Saylor, Chairman of the Subcommittee to which was referred HOUSE BILL 60 (Supplemental appropriation to the Department of Public Works, division of communications; and providing for an effective date).

Mr. Saylor introduced Mr. Robert G. Dwyre who assisted in the presentation of the bill. Mr. Dwyre explained the need for the supplemental appropriation referring to a memorandum dated October 31, 1972 from Mr. Mel Hoversten, Director of the Division of Communications, to Mr. Kent Dawson, Budget Analyst, Division of Budget and Management (see attached).

Mr. Saylor said the problem was compounded by the FCC requirement to upgrade communication facilities to stations on the Alaska Peninsula and in the Aleutian Islands. He passed out copies of memorandums dated January 18 and 22, 1973, from Mr. Robert L. Grogan outlining three alternatives the Division of Communications has to comply with the FCC requirement. (See attached).

Mr. Freeman asked Mr. Dwyer to give a brief rundown as to what kind of communication system Alaska is involved in. Mr. Dwyer explained that the Division of Communications is a service agency that provides communication services to all state departments. The general operation is divided into (1) remote village radio program (approximately \$200,000); (2) teletype operations for the benefit of all departments in most communities; (3) support to state agencies (this is the equipping, maintaining of two-way radios on vehicles in Public Safety, Highways and Fish and Game -- police radios, etc.); (4) administration and support that would accompany the work on this. There is also some involvement in TV translation and things like that. There were some appropriations in the past from the legislature to accomplish some television in connection with educational broadcasts and other translation of TV signals.

Mr. Barber asked if there was any increase in equipment or facilities occasioned by the change of the Protection Division from the Department of Fish and Game to Public Safety. Mr. Dwyer explained there was some modification on existing equipment. In addition to that there was some assessment for acquiring other equipment. He estimated the amount was in the range of \$12 - 15 thousand, partly in travel and per diem and part of it in assessment in overtime to accomplish the work.

Mr. Warwick asked if any communication had been written to the FCC to see what would happen if the state did not comply with the FCC requirement. Did the state really have no choice but to comply with the requirement?

Mr. Hillstrand requested that Mr. Dwyre make all communications from the FCC regarding the fact that they requested the state to comply with the requirement and the alternatives. Mr. Dwyre will make these communications available to the committee.

Mr. Dwyre briefly outlined the different departments and agencies that use the communication facilities of his agency. He mentioned Public Safety (State Troopers); Department of Highways; Department of Public Works, Division of Aviation, Division of Waters and Harbors; Civil Defense; Department of Fish and Game; Department of Health and Social Services. He also explained that if they did not receive the supplemental appropriation they would have to curtail service in a couple of areas. Mostly in public safety and bush radios. He also explained that although the other departments used the communications facilities, they could not get much help financially from the other departments. It is very difficult to pro rate among all of the agencies that use their facilities. There might be a great bookkeeping problem if every department and agency had to budget for their own communications portion of the budget. Mr. Dwyre also stated that other agencies had been contacted and were not willing to contribute to this cost.

Mr. Hillstrand requested that Mr. Dwyre submit a resume of all of the state agencies or units that utilize the Communications Division.

Mr. Hillstrand asked the department to supply the committee with a report on the possibility of the using agencies paying for the use of equipment, and for a list of stations which would not be upgraded if the supplemental were not approved. He also asked for an enlargement of the three alternatives outlined in the memo from Bob Grogan (copy attached).

Representative Hillstrand asked what Mr. Dwyre referred to when he said that the "travel account would be exhausted in 30 days".

Mr. Dwyre said he was referring to the travel account for the Division of Communications. Forty-one thousand dollars was appropriated for FY 73; as of the 31st of December, \$31,216 of this amount had been expended, leaving a balance of \$9,784. Activity in the account will pick up during May and June, and the account is presently being depleted at the average rate of \$5,000 per month.

Representative Hillstrand asked what the total amount in the account would be for FY 73 if the supplemental request

were approved; Mr. Dwyre stated it would total \$71,000 in Code 200, "Travel".

Mr. Hillstrand requested that HOUSE BILL 60 be held in abeyance until the information the committee requested could be submitted and more witnesses called.

Mr. Dwyre departed at 2:40 p.m.

HB 18

Mr. Saylor introduced Representative Jo Ann Miller who gave a brief appeal for a "do pass" recommendation on HOUSE BILL 18 (legislation and ballot measures authorizing the issuance of GO bonds). She explained the political philosophy of requiring that the taxpayers be told where the money was going to be spent and how much of the appropriation would be designated to that particular project. In essence the bill accomplishes two things: gives legislators a break and gives the taxpayers a break. The spending of the money will be determined by the legislators and not by the governor. The bill will encourage better planning so that the legislature can make a better decision when bond bills come before them. In answer to a question from Mr. Ferguson regarding the bush communities, Mrs. Miller said she believed that the bill would put an end to sectionalism that has been seen in the past.

Chairman Hillstrand stated that he was not in sympathy with the amendment. He suggested that a committee substitute be sent out in the form of the original bill. Mr. Warwick asked if a constitutional amendment was required. Mrs. Miller did not believe that it would be. The committee discussed briefly projects that would be impossible to describe on the ballot. It was the concensus of the committee that the bill be returned to the file to be taken up at a later time.

The meeting was adjourned at 3:45 p.m.

RECEIVED  
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Commissioner	Deputy Commissioner	Administrative Director	Aviation	Buildings	Communications	Marine Transportation	Water & Harbors	Fiscal	Leasing	Personnel	Property & Supply	Payroll	Mail & Records
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TO: Kent Dawson, Budget Analyst  
Division of Budget & Management  
Department of Administration

STATE OF ALASKA  
DEPT. OF  
PUBLIC WORKS  
DATE: October 31, 1972

*msj*  
FROM: Mel Hoversten, Director  
Division of Communications  
Department of Public Works

SUBJECT: Request for supplemental  
appropriation - FY 73

A supplemental budget appropriation for this fiscal year is requested in the total amount of \$40,000 as per the following.

Travel and Per Diem - \$30,000

The monthly rate of expenditures so far this year is \$8,100. Travel in bush areas is heavy due to the requirement to meet a deadline set by the FCC to upgrade existing HF stations. Also, there is increased activity in the Alaska Peninsula and Aleutian Chain areas, and delays due to inclement weather and, generally, higher cost of travel in these areas. The growth of all communications systems has gone beyond planning assumptions and is continuing this rapid rate of growth. The actual cost of travel and per diem exceeded our FY 72 budget by some \$23,000, and is exceeding our budgeted amount for FY 73. The figure in our FY 74 budget request has been increased. The transfer of Protection from the Department of Fish and Game to the Department of Public Safety has also placed additional travel on this Division to change frequency and communications systems to meet this new requirement and was not budgeted for in our FY 73 budget.

Personal Services - \$6,000 (Overtime)

Overtime is required to meet emergency call-outs and upgrading of communications systems. It is more economical to pay overtime in some instances rather than to pay man-in-bush per diem over weekends. The transfer of Protection to Public Safety required Public Safety to move into an additional building in Anchorage and required this Division to revamp the Anchorage dispatch positions and to make a dual position dispatch center and generally rearrange communications in the old building. This same capability was installed in the new building. Some of this work had to be done on overtime to prevent interruptions of Trooper's communications. Also, Fish and Game moved from two old buildings into one new building, and some of this work also had to be scheduled on overtime. Our Division was not made aware of either of these projects when preparing FY 73 budget. We considered and looked into doing this additional work on a contractual basis, but two items were against this method:

1. Additional contractual funds were not available.
2. Cost of contracting was greater.
  - A. Equipment cost \$7,000;
  - B. Hourly labor more costly--\$18.00 per hour for contracting; our Division overtime costs an average of \$11.27 per hour.

Kent Dawson, Budget Analyst  
Division of Budget & Management  
Department of Administration

-2-

October 31, 1972

Contractual Services - \$4,000

The Alaska Public Utilities Commission requested our Division to install a teletype in Kodiak to relieve the over-loaded, long-distance circuits into and out of Kodiak. This was done; however, we were not aware of this acute communications problem in Kodiak when the FY 73 budget was prepared. (We have budgeted for this circuit in our FY 74 budget request.) APUC requested all State agencies to utilize this Kodiak circuit to further relieve Kodiak long-distance facilities. Our Division, at present, is taking monies from other funds to try and keep this circuit in use; however, if requested monies for this are not granted, we will have to have the circuit disconnected. The using agencies contacted would like to have the circuit remain in operation, but as of this date, they are not capable of helping to finance the cost of this. The actual cost is \$4,150, with \$50 for teletype supplies, for a total cost of \$4,200 per year. It will require \$4,000 to cover costs for the remainder of this FY.

cc: Tracy Kaldor, Administrative Director  
Department of Public Works



JUNEAU ALASKA

# Alaska State Legislature

## House

January 18, 1972

TO: Representative A. M. Saylor  
FROM: Robert L. Grogan  
RE: Division of Communications Supplemental

I have discussed with Director Holversten the matters over which you have expressed concern. Hopefully, the following will serve your purposes.

The Federal Communications Commission has imposed a deadline, effective October 1971, to upgrade radio stations in the Alaska peninsula and Aleutian chain areas to include side band capability for marine communications. The deadline date has been set at January 1, 1974. The project presently is 50% complete. There is some doubt on the part of the Director that the entire project can be completed by that date due to lack of equipment. Those stations which are not upgraded will be shut down on the deadline date. The division budgeted \$40.0 for travel, but spent \$63.0 this year. The related overtime request is to provide changing communications devices from Fish & Game vehicles to Public Safety vehicles.

The Alaska Public Utilities Commission verbally requested that the division install a teletype communications device in the Kodiak area to ease a shortage of available trunk lines. Apparently the previous Director complied with the request, as the teletype is in operation. The Departments of Fish & Game, Health & Social Services, Public Safety and others utilize the device, but none of the departments have been willing to assume the cost. According to the Director, the prime user of this facility is the Department of Health & Social Services.

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION  
POUCH W/F — STATE CAPITOL

JUNEAU 99801

### MEMORANDUM

January 22, 1973

TO: Rep. A. M. Saylor

FROM: Robert L. Grogan

SUBJECT: FCC requirement to upgrade communication facilities to stations on the Alaska Peninsula and in the Aleutian Islands.

To comply with Federal Communication Commission Regulations, the Division of Communications has one of three alternatives:

1. Discontinue communications services to the stations.
2. Remove the marine band crystals from the stations.
3. Upgrade the marine communications capabilities of the stations.

According to the Director, alternatives two and three would cost the same.

HOUSE FINANCE COMMITTEE

January 24, 1973

8:35 A.M.

Present: All members with the exception of Representatives Warwick and Haugen. Lt. Col. Glenn Byington, Director, Facilities & Fiscal Division; Lois Richardson, Administrative Assistant, Department of Military Affairs; Myrton R. Charney, Director; Rick Barrier, Fiscal Analyst, Division of Budget & Management; Richard C. Bradley, Director, Division of Supply.

HB 66 Chairman Hillstrand called the meeting to order and turned the meeting over to Representative Specking for a report on HOUSE BILL NO. 66 (An Act making supplemental appropriations to the Department of Military Affairs).

Representative Specking asked Col. Byington and Lois Richardson to testify on the supplemental appropriations requested by the Department of Military Affairs, and to address themselves to the first item of \$12,000 for the Civil Air Patrol.

Col. Byington said the \$12,000 amount is for two aircraft that need major overhaul due to extensive flying in the search for Rep. Begich, and the aircraft must be sent to Tacoma for repairs. He referred to a memo from James Carter, Director, Civil Air Patrol, (see bill file) summarizing the need for such maintenance. One engine has already been overhauled and the other will be completed and ready for pickup and installation the end of January. An hourly log is kept, and the need for such repair work was the extensive search and extra flying time.

Representative Saylor asked how many aircraft are maintained by the Civil Air Patrol, to which Col. Byington replied there were 9 Beavers and about 27 total throughout the state. Both of the aircraft in question were based in Anchorage. Rep. Saylor asked if it would be possible to send the committee the log of these two aircraft and also the maintenance schedule for FY 74. Mrs. Richardson said there are two Beavers scheduled for overhaul in 1974. The cost is \$9,000 to completely overhaul an airplane and the Department schedules two planes per year. The subject aircraft required only overhaul of engines, which costs about \$6,000 each.

Representative Warwick joined the meeting at 8:45 A.M.

Representative Hillstrand questioned planes under CAP control and if they are owned by the government on loan or just who owns them. Col. Byington replied the planes are owned by the CAP and separate from government. The Air Force inspects the planes to see if they are properly equipped, tests the pilots, and supplies the fuel.

Private planes are also used by the CAP, but Col. Byington was not sure who pays the price for their maintenance and repair. He thought each CAP organization raises their own funds.

Rep. Specking then asked the witnesses to speak on the second item of \$40,000 requested for the re-enlistment bonuses for the National Guard.

Col. Byington said \$60,000 was received this year and there has been a change in the request of an additional \$62,000 to properly administer re-enlistment bonuses. During FY 72 \$68,515 was expended to 459 individuals. For FY 73 the estimate is for 730 individuals plus a 6.9% military pay increase. Through recent review it was discovered that because of administrative errors in the field, 4 eligibles were not paid in '71 and 51 were not paid in '72. The balance reflects the normal increase. These bonuses assist in recruiting and retaining Guardsmen. Col. Byington said through the state's efforts of a volunteer Army concept, with no threat of drafting, Alaska is far ahead of other states.

Rep. Specking asked why the jump from 459 to 730, to which Col. Byington replied it was difficult to understand. It was not their projection. Rep. Specking asked why the Governor is recommending substantially less than requested, and Col. Byington said he did not know. Their projection shows close to \$90,000 and they are now over that figure.

Rep. Ferguson asked the ratio between Anchorage and the rest of the state on Guardsmen re-enlistment. Col. Byington thought there were close to 700 Guardsmen in Anchorage, but the majority are in the rural areas. Scout battalions make up about 45%, or about 1,000 individuals.

Rep. Saylor asked of the number eligible for re-enlistment, what percentage of those actually do re-enlist. Col. Byington did not know. In answer to another question from Rep. Saylor, Col. Byington said the average re-enlistment bonus last year was \$165, but there is an almost yearly increase by the federal government - about 6.9% for this year. By retaining these people, they are continuously building up longevity and ranked higher.

Rep. Freeman noted \$62,000 is needed; however, the supplemental only calls for \$40,000, and asked the reason for the difference. Col. Byington said this is difficult to explain, but \$62,000 is the figure requested by the Anchorage headquarters office. The committee questioned this, and Rep. Warwick noted in the past the estimates from the Dept. of Military Affairs have always been wrong. The department spent double the appropriation amount in '71 and now doubled again in '72. Rep. Warwick asked the percentage of those who re-enlisted last year compared to who actually was eligible, to

which Col. Byington said he did not know. However, six months of this year have already passed and the present trend shows \$62,000 will be needed. He added that re-enlistment bonuses can range from \$165 to over \$180, depending on rank and longevity.

Rep. Hillstrand advised Col. Byington that the committee may be sympathetic to the program, but needs further information for proper presentation of the bill. Rep. Specking asked that the committee be furnished with a break-out of what amount of the additional money required is for the 6.9% federal pay increase. Rep. Ferguson asked that the committee be furnished with a report on the trend as to where re-enlistments are taking place.

Rep. Saylor questioned the length of time served by re-enlisting, to which Col. Byington said it is one year. In other words, a bonus will be paid every year, so \$120,000 can be anticipated every year for this program--or more, since more are becoming eligible every year.

Rep. Specking requested information on the next item, Workmen's compensation and liability insurance, National Guard, of \$60,000. Col. Byington said the state paid \$15,000 and \$1,250 in FY 72 on two different actions which were settled out of court on workmen's compensation. A study was made by the Council for Workmen's Compensation and it was found that Guardsmen on active duty were without protection, both for injury and cause of injury to a third person. Now \$60,000 is requested for a three-year period, \$20,000 per year, \$10,000 for workmen's compensation and \$10,000 for liability.

Rep. Specking asked if a reply had been received to the letter regarding his responsibility which Gen. Elmore wrote to Washington, D.C., and Col. Byington showed Rep. Specking the reply. Col. Byington explained it was very similar to Mr. Doogan's study on workmen's compensation and liability.

Messrs. Charney, Bradley and Barrier were asked for information on this item in HB 66 and Rep. Specking asked the rationale in going back two years in premium payments. Mr. Bradley stated this is a situation where the state is presently insured with ALPAC, and we are now in the third year of a three-year policy. The carrier has maintained that the state is covered for workmen's compensation and liability; however, payroll deductions are the method of premium and no payroll deductions have been received from the National Guard. \$225,000 was paid by the state, through a supplemental appropriation, in an out-of-court settlement a number of years ago when the National Guard was specifically excluded from the state's insurance policy. The exposure here is tremendous and, although the present carrier says we are covered, we have to pay premiums for it.

Mr. Bradley continued by saying the National Guard has three types of employees: technicians, who are under the jurisdiction of the federal government; combination technician/guardsman, working for

federal and also the state; and the pure Guardsman, working for the state. The Workmen's Compensation Board has continually said he is a state employee for workmen's compensation purposes, and the A.G. supports this opinion. No premium is required for the technicians, or federal employees.

Rep. Warwick asked why the premiums should be paid by the state back to 1971, to which Mr. Bradley replied the insurance carrier states they will accept liability for previous years if the state pays the premiums. In the past, other carriers have specifically excluded the National Guard, where ALPAC will accept liability.

Rep. Warwick then asked why the state could not be self-insured, and questioned the normal period of time in which a claim could be filed. Mr. Bradley did not know, but would provide the committee with this information.

Rep. Warwick then asked if the \$1.9 million payroll estimate is not high. Mr. Barrier said the figures were received from the National Guard and are paid for by the federal government. An audit will be taken at the end of the year to determine if the figures are correct.

Rep. Warwick asked if next year's budget reflects an increase for insurance premiums, to which Mr. Bradley said yes.

Rep. Hillstrand questioned a bill from Shattuck & Grummett and asked the sub-committee to investigate this.

Self-insurance by the state was questioned by Rep. Hillstrand and the committee discussed this possibility. Mr. Bradley's recommendation was that the \$60,000 premium be paid to cover 1971, '72, and '73, and then self-insurance be investigated by the state.

Rep. Saylor asked why there was a breakdown for the National Guard covering malpractice. Mr. Bradley said this would cover any first aid administered by guardsmen.

Mr. Charney referred to an earlier question on the budget and wished to explain that last year \$90,000 was provided for two benefit programs, \$45,000 for educational purposes and \$45,000 for re-enlistment bonuses. The Governor dropped the educational figures and at the same time knew the re-enlistment figures were too low. \$60,000 proved to be quite low, but up until January 15 no estimate was available from Anchorage.

At the suggestion of Rep. Specking, further consideration of HB 66 was held in abeyance pending the development of additional information, part of which will be received from the witnesses, the other being provided by the committee charged with this bill, and perhaps the administration; to wit, Mr. Cloyce A. Drake, Director, Division of Insurance, and Mr. Burnette.

Adjourned: The meeting adjourned at 10:00 A.M.

HOUSE FINANCE COMMITTEE  
January 29, 1973  
8:35 A.M.

Present: All members except Representative Ferguson. George Easley, Commissioner, Department of Public Works; Herbert J. Lockert, Director; Bert A. Esmond, Deputy Director, Division of Marine Transportation; Myrton R. Charney, Director, Division of Budget & Management.

HB 62 Chairman Hillstrand called the meeting to order and stated the purpose of the meeting was to review HOUSE BILL NO. 62 (An Act making a supplemental appropriation to the Dept. of Public Works, Marine Transportation). Rep. Barber, assigned the bill, conducted the meeting.

Rep. Barber briefly explained the bill and noted the explanatory material in the bill file. One question was the sum subtracted by the Budget Review Committee from the original supplemental appropriation request. Rep. Barber had a memorandum from Mr. Henri, Commissioner, Department of Administration, outlining "the items that are available for offsetting the \$145,300 reduction. . ." (see bill file). Rep. Barber said the purpose of having Mr. Charney present at the meeting was to find out why a supplemental request would be submitted in an amount insufficient to cover expenses. The meeting was opened to questions from the committee.

Rep. Warwick noted the amount of money appropriated last year was almost identical to what the Governor recommended except for travel. Some of the items obviously could not have been predicted; however, it appears the bulk of them could have been. He then asked why the Wickersham was not laid up, as originally intended. Mr. Easley replied that in initial discussions it appeared there would be a savings in laying up a vessel, but these savings really did not materialize. The only savings would be in fuel and food, and damage to the ship would have been greater than if it were kept running. This, plus the loss of service, caused the Governor to change his mind and he proposed keeping the vessel in operation. It is the most expensive vessel to run, however, with the lowest amount of return. Mr. Esmond added \$573,000 was deducted from the '72 budget for anticipated savings on laying up the crew. Later analysis showed the figure could be changed to \$631,000 by approaching vacation money in a different manner, and essentially this was the amount taken out.

Rep. Warwick then asked if most of the budget items would fall under SE Vessel Operations, Personal Services, and Mr. Easley answered most of them would, although some would be system-wide,

such as contributions to the pension fund. The pension fund comes under a contractual agreement signed July 1, 1970, which terminates July 1, 1973, providing that the state would match all national contributions to the pension fund. The past year the state contribution has gone up considerably, from a budgeted amount of \$85,680 to \$161,233. The department tried to avoid paying the additional amount, but the Attorney General advised the contract is a legal document and there is nothing to do but pay.

Representative Ferguson joined the meeting at 8:45 A.M.

Rep. Warwick asked who negotiates employee contracts for the Division of Marine Transportation. Mr. Easley said the department's authority has been revoked and it is now up to the Governor, although the actual team has not been selected yet (Labor Relations Board). It is the opinion of the Attorney General that they will negotiate contracts in the future. Pay increases amounted to a little over 5% last year and were negotiated, but the increases for the first two years were written into the contract. The increase was budgeted for 6%, but actually amounted to a little over 5%. Mr. Esmond added numerous benefits took the rest of the money.

Rep. Freeman asked if one of the reasons for continuing the Wickersham in service was the great public demand for it, to which Mr. Easley replied this was correct.

Replying to questions from Rep. Hillstrand, Mr. Charney said the decision to run the Wickersham all year was made by the full Budget Review Committee in December of 1971. The original recommendation to lay up the vessel for five months was made by a budget analyst from Budget & Management, after working on the budget figures submitted by the agency. Mr. Charney said he did not recall if the specific question of laying up the vessel was discussed at the original budget hearing. The thinking behind the decision was that in the prior year the Malaspina was in dry dock without appreciable loss of service; however, the budget analyst overlooked the expensive costs involved in laying up a ship. Mr. Lockert added the department was not consulted in this decision, and both he and Mr. Esmond believed it would never work. Mr. Easley said there were many areas of adjustment due to the introduction of program budgeting, but the department has adjusted to the new system and he doubted seriously if such a situation would recur. Rep. Hillstrand asked if there were any records of the meeting where the decision was made, to which Mr. Charney replied there were no records. Mr. Easley said all decisions were verbal, including the review of the original analysis when Public Works and the Governor decided not to lay up the Wickersham for five months. Rep. Hillstrand stated he was interested in the original decision, and wondered if the reasons at that time were valid.

Rep. Hillstrand asked if the agency has cost studies on operating the vessels, to which Mr. Easley replied they do. Roughly it costs \$120,000 per month per ship, and the revenue from the Wickersham during the winter months is about one-third of that amount. Rep. Hillstrand would like to see monthly figures from port to port on passengers and freight, and Mr. Easley said the committee would be provided such a report.

Returning to other items on the supplemental request, Rep. Hillstrand referred to the matter of wages and contributions and asked how this came about. Mr. Lockert said the department had no control over this, as the union arbitrarily decided this is the new rate. Mr. Easley added contract negotiations open again this year and the department will object to paying the new rate. Legally the contract signed in 1970 is binding, but it does not mean the new one will have to be written this way. It was noted by the committee that retroactive contributions amount to about \$15 per day, and Mr. Lockert repeated the union has a clause with all shippers and the department does not have a voice or a vote.

General costs of running the marine highway system were discussed by the committee. Mr. Easley noted a comprehensive study was done on traffic and tariff and it is anticipated that the system will begin to see daylight in 1980. Revenues will exceed expenses. If rates could be raised now, the division could provide a better return fiscally, but some customers will be lost. Mr. Easley continued by saying the subsidy to marine transportation is substantially less than the cost of the land highway. Obviously it is not as adequate as the land system as far as service, but the state is never going to build connecting land highways between these areas and the transportation is desired. Rep. Hillstrand requested a report on costs of operating the marine highway related to gross revenues related to the marine highway maintenance level, monthly fares, freight and passengers, cost of operation of ferries, etc. Mr. Easley said the department is presently providing a study for the Senate Finance Committee which is due on February 15. They could have the material ready for the House Finance Committee by March 1, covering operations to December 1, 1972.

Rep. Barber referred to the letter from Commissioner Henri explaining how the Dept. of Administration will provide money for the funds not covered by the supplemental request, and read same to the committee.

Rep. Hillstrand asked the reason for not contributing to the pension fund in the first place. Mr. Easley replied the trustees of the fund did not advise the department until after the fact. Many engineers have retired because of the great reduction of shipping firms, causing the large increase to the pension fund.

The trustees readjusted the scale of payments, and those remaining in the shipping industry pay the bill. Attorneys in the State of Washington found it was a waste of time to fight it, and Alaska's Attorney General has advised the contract is legal and the payment must be made. In prior years there were no retroactive payments billed and no late notice given by the union. Mr. Easley continued by saying the department will try to eliminate this from the next contract. All engineers belong to the same union, and ships would not sail without them.

Rep. Haugen asked if the pay scale is the same on the marine transportation system as on deep water boats. Mr. Easley said no, they are based on inland waters; however, the ships are large so the scale is high. He estimated that some engineers make as much as \$200 per day.

The meeting recessed at 9:30 A.M. and the witnesses left.

AFTER RECESS  
9:40 A.M.

Jay Hogan noted the report mentioned by Mr. Easley which predicted the marine highway system would pay for itself by 1980, and questioned whether it would ever pay for itself. He thought the legislature should expect to pay a subsidy every year for marine transportation. In the capital budget, the department proposes to build additional ships, which Mr. Hogan believed would improve tourist travel but not necessarily aid Alaskans, and felt the legislature should determine how much they are willing to pay to have such tourist travel. Rep. Freeman added the convenience to Alaskan citizens is really in the winter, as in the summer the boats are filled with non-resident travellers, and agreed that the legislature must decide if they are willing to expand for the benefit of the tourists. Rep. Haugen suggested the staff procure a copy of the Gillman Study, prepared when the marine transportation system was first proposed, and concurring in the fact that it would never pay for itself.

Mr. Hogan returned to the report mentioned by Mr. Easley and said it proposed some tariff increases. He suggested tariffs could be raised substantially in the summer months and sharp reductions in the winter. The committee discussed the various possibilities.

Rep. Barber asked if there will be a supplemental request next year. Mr. Hogan said the legislature can have clear intent in any phase of state government, but in prior years they have funded supplementals. The only approach left now is to turn down supplemental requests.

The committee continued the discussion, with Rep. Haugen stating Southeast Alaska will not tolerate laying up a vessel for the winter. Rep. Specking noted the Bartlett was requested for all winter, but it is laid up.

Recess: The committee recessed at 10:00 A.M.

AFTER RECESS  
2:05 P.M.

PRESENT: All members. Acting Commissioner Stevenson, Department of Revenue, and two news reporters were also present.

HB 56 The Chairman said the business before the committee was HOUSE BILL 56 (Increasing the tax on cigarettes). He turned the meeting over to Mr. Saylor, chairman of the subcommittee on this bill.

Mr. Saylor explained that the Governor had made the original request for an increase of 4 cents a pack on cigarettes, and that after review he personally thought that the tax should be on all tobacco. He had discussed this with the Commissioner and had come to the conclusion that there was no way to estimate how much would be brought in in the way of revenue if this were done. The last time tax was collected on all tobacco products was in 1954 but it had been discontinued. Mr. Saylor introduced Mr. Stevenson to give more background on the cigarette tax, and the increased revenue to the state if the tax were increased.

Mr. Stevenson gave a presentation on the background of the cigarette tax. (See attached)

A question was raised having to do with taxation of "little" cigars. They are not required to have the surgeon general's warning printed on the pack and they are advertised on TV and sold 20 in a pack. So far they are exempt from the tax. (All statutes of three states having to do with "little" cigars call for a tax.)

Mr. Stevenson had placed a call to the State of Utah requesting information. He chose the State of Utah only because he knew he could get information immediately to give to the committee and also because Utah has the same 8 cent tax we have. Mr. Stevenson said although Utah probably has fewer smokers, a comparison could still be made. (See attached).

Mr. Stevenson stated that the Governor has requested a review of the tax structure in Alaska. Alaska imposed an increase on cigarettes in 1961 and at that time, Alaska had the highest tax of all the states on cigarettes. Twelve years later we are far below the median.

Mr. Saylor asked if this year's budget as submitted by the Governor envisioned the increased taxes. Mr. Stevenson answered that the budget as introduced by the Governor does not include any of the increased tax proposals -- the

legislation was introduced for potential revenue "during a possible tight period".

A discussion followed on the school tax and the Peat, Marwick & Mitchell report on taxes.

Mr. Barber asked if this proposed increase in the cigarette tax would be commensurate to the increased cost of tobacco over the years. Mr. Stevenson replied that he would attempt to get a chart which equates vending machine prices of cigarettes with the increase in the tax. He added that at each increase in the tax the price of cigarettes in the vending machines aggrandized 5 cents, the vendor keeping the profit.

Mr. Specking asked what would be the practical effect of the proposed tax. Mr. Stevenson replied that the price of cigarettes in the supermarket would go up to augment the tax. The vending machine price would also go up. Both the supermarket and the vending machine price would not just go up the amount of the tax but they would aggrandize the price and keep the profit themselves. Mr. Specking said he thought the state should receive the aggrandisement. Mr. Stevenson agreed with this.

Mr. Warwick asked if the tax was on 20 cigarettes if the manufacturers would come out with some "oddball packaging" to get around it. Mr. Stevenson said no, because the millage is based on 20 cigarettes per pack.

Mr. Stevenson said out of the 8 cent tax, 3 cents would go to the general fund and 5 cents would go to the school fund. He stated that the wholesalers pay the tax and not the retailers. It would be too burdensome to tax the retailers.

Mr. Warwick asked if it would be burdensome to tax other tobacco products. Mr. Stevenson replied that he did not see that it would.

Mr. Warwick asked how we could amend the bill to include all tobacco products or the "little" cigar in the bill. Mr. Stevenson said the definition could be broadened to include this.

Mr. Warwick wondered why this hadn't been put in the bill in the original version. Mr. Stevenson stated that he didn't receive the complete research on this until it had been presented to the Governor, but that he would recommend including that new language in the bill.

Mr. Warwick asked why it was needed. Mr. Stevenson replied that the Governor had asked for a general review of all tax proposals.

Mr. Warwick asked if there was any objection to increasing the rate that the general fund gets in proportion to what the school fund gets. Mr. Stevenson replied that Mr. Warwick would have to ask the Attorney General for an opinion on a ruling of dedications. Under the law so much is dedicated to the school fund.

Mr. Hillstrand asked if there was a problem in converting mills to cents. Mr. Stevenson replied that there was no problem if it is on a 20-cigarette pack.

Mr. Hillstrand said that tobacco is a luxury and they should make sure the cost of collection does not exceed the amount collected. He wondered if there was a basic need to identify the price of cigars. Mr. Stevenson said it would be "too tough" to handle -- all the states that impose this tax go on a percentage of the wholesale value.

In answer to a question by Mr. Hillstrand, Mr. Stevenson said there are five to six wholesalers in Alaska.

Mr. Hillstrand asked what the population of Utah was. Mr. Stevenson answered 1,100,000 people. He said that this was three times the size of Alaska, but people smoke more here.

Mr. Freeman wondered why he chose the state of Utah. Mr. Stevenson said it was the only state he could reach this morning in a hurry that had an 8 cent tax as we have. They have a population of 1,100,000, so their tax is not quite twice that of ours.

Mr. Ose asked if they taxed all tobacco products in Utah. Mr. Stevenson replied that they have imposed this tax for six years, but are considering a bill to tax small cigars the same as cigarettes and take small cigars out of the tobacco products category.

Mr. Saylor introduced Mr. Milton Barker to the committee. He made a short presentation and presented several charts projecting the increase from 5 cent tax to 8 cents. (see copies attached)

Senator Groh arrived at the meeting at 2:45 p.m.

Mr. Hillstrand requested that Mr. Stevenson look at the charts provided by Mr. Barker and relate them to his figures. Mr. Stevenson said that they were very close. When Mr. Barker quotes the figure \$450,000 he is "right on target".

Mr. Ferguson left the meeting at 2:50 p.m.