

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2546
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HOUSE FINANCE COMMITTEE
March 21, 1973
8:40 A.M.

Rep. Hillstrand called the meeting to order and noted for the record that a quorum was present. Also present were Representatives Joseph E. McGill, Clem V. Tillion, Richard I. Eliason, and persons interested in testifying on the limited entry fisheries bill.

HB 126

HOUSE BILL NO. 126 (An Act relating to the regulation of entry into Alaska commercial fisheries) was brought before the committee for discussion. Rep. Hillstrand asked for testimony from the interested parties.

Nick Gregory, President, Bristol Bay Area Development Corporation, stated the Development Board asked him to present their feelings about limited entry. He said they are fully against the bill, or 100% against it. He represented 36 villages, almost 80% of the population was totally dependent on fishing, and have no training for any other occupation. They also did not have money for fishing permits or money to compete for such permits, as the canneries have kept the people under their thumb. They would like time to study other methods of transferring permits, rather than placing a market value on them. Mr. Gregory also stated he would prefer to see the permits transferred from father to son, but this would create another problem when more than one son was involved. Rep. Tillion noted there were only two possible ways to transfer the permits: either through a transfer from father to son, or reverting the permit back to the state for reissue. Rep. Tillion stated that the Senate version of the bill sets up three classes of fishermen and does allow transfers between the first two classes with no transfers among the third class. Mr. Gregory continued by saying fishing was a way of life with the people in the Bristol Bay area, and they were in favor of the intent of the bill but concerned with the concept of transferring permits on a money basis. No one up there could buy one; however, Mr. Gregory added they are in favor of cutting the gear down.

Archie Gotschuck said he had been fishing for 11 years and the question was who shall control the wealth of the salmon industry -- the fisherman or the cannery. The canneries control the fishing industry in Bristol Bay, and his question was who would control the wealth from this resource. He added there should be no transfer of permits allowed for the next two years, when the problem could be reviewed.

Hank Eaton, Kodiak, said he was representing approximately 200 small fishermen. Their position was that the permit should become a part of the fisherman's assets, the same as the boat, gear, etc. It is part of his business, and can be sold, transferred, or anything else the fisherman wants to do with it. Mr. Eaton continued by saying the fishermen do not want to see permits, or the business of fishing, put in the hands of a commission or on a lottery basis. The concept of limited entry was sound, but the state is now establishing a starting point. It is a beginning, and from the maximum number of gear in the water at the present time it will work down gradually to the point where the fishermen can sustain themselves and make a living from fishing. There is a large fishing industry in Kodiak, and Mr. Eaton said they are the first to admit they are being over-fished. Six villages are entirely dependent on fishing in the region, and Mr. Eaton listed them. When he is ready to retire, he would sell his permit to a resident, along with the other assets of the fishing occupation, since once the permit is acquired, it should be assumed to be personal property. Without a permit, the boat and gear would be worthless. Mr. Eaton continued by saying for a good many years all a fisherman did was fish; however, now they must depend on other income to supplement the fishing. He explained to Rep. Haugen that on his particular boat he splits gross profits on a 50/50 basis with the crew, listing himself as one of the crew. However, he pays all the expenses for the crew. He would have to recalculate distribution if the buy-back program was considered. Mr. Eaton concluded by saying he was in favor of limited entry if the permit were considered as part of the assets of the fisherman, as it would enhance the fisherman's position if the permit would have value.

Richard Lauber, Association of Pacific Fisheries, said the Association is not opposed to the concept of what HB 126 intends to do. He referred to a constitutional amendment which the legislature passed several years ago amending the exclusive right of fisheries, which the voters over-whelmingly endorsed. Mr. Lauber continued by saying the legislature is creating a property right by this permit and two factors are involved: economic dependence and eligibility. The bill provides the fisherman must be dependent on fishing for a living. It is administered through a commission, and Mr. Lauber compared it to the CAB, which now can substitute a successful airline with a non-profitable, subsidized airline. He asked what would happen to the successful fisherman, as nothing in the proposed legislation would prevent the same thing happening in the fishing industry. As far as the eligibility requirement, Mr. Lauber asked what would happen to the young man, who does not have either the experience or the money to qualify for a permit. He may be economically dependent on fishing, but forced to take another job on the side to live. Referring to the question of transferability, Mr. Lauber said the committee should request information from someone in the financial field, and question whether a bank would lend money

to a fisherman if they could not have the assurance that he had a permit. Referring to the question of the canneries loaning money to fishermen, Mr. Lauber said the canneries would prefer to stop this practice. The state could take over all existing loans the canneries have on boats and gear and prohibit them from loaning and advancing any money to fishermen. The canneries are not in the lending business and would prefer to stop. Referring to the buy-back program, Mr. Lauber said the 7% hurts those who can least afford it, and is a high rate of interest.

The committee asked for a recess to attend the session in the House, and excused the witnesses until after the House adjourned.

HB 7

HOUSE BILL NO. 7 (An Act appropriating to the Department of Highways) was brought before the committee. Rep. Freeman moved and asked unanimous consent to report HB 7 from committee with a "do pass" recommendation. No objection, so ordered.

The meeting recessed at 9:50 A.M.

HOUSE FINANCE COMMITTEE
AFTER RECESS
4:50 p.m.

HB 126

Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present. Also present were Representatives McGill, Eliason and Tillion, Mr. Alan Adasiak and Mr. David Jackman of the Attorney General's Office, and persons interested in testifying on the limited entry fishing bill.

Chairman Hillstrand stated that the committee would continue its discussion on HOUSE BILL 126 ("An Act relating to the regulation of entry into Alaska commercial fisheries; and providing for an effective date"), and consider the amendment to the bill proposed by Mr. Frank Flavin, Attorney for South Naknek. A copy of Mr. Flavin's amendment is attached.

Chairman Hillstrand asked Mr. David Jackman, Assistant Attorney General and staff director of the Limited Entry Project, to discuss the amendment.

Mr. Jackman stated that the bill is addressed to economic yield and biological problems in the fishery; the program is to stabilize the amount of gear at levels that can be managed. It is clear, Mr. Jackman said, that in many areas of the state there is so much gear that the management has become distorted and cannot protect the yield. From the outset, the program has been viewed as one of stabilizing the level of gear, not one of getting the state into the business of deciding who should fish. The bill would classify fishermen for one purpose only; if gear is to be reduced in one area, there needs to be a decision as to who will qualify for entry permits at the outset. This is the only Constitutional justifiable reason for looking at the individuals for qualification purposes. Mr. Jackman stated that there have been attempts in the past to achieve some of these objectives which have floundered in the courts; these attempts were not to simply limit the level of gear, but made other restrictions such as residency. The department has tried to come up with a program that would be Constitutionally and legally defensible. Once the gear levels are established, the fishery will allow movement from one area to another. The problem with the proposed amendment, Mr. Jackman said, is that if the Legislature leaves undecided the issue of transferability, it would weaken the constitutionality of the bill. The initial bill will protect resident Alaskans; if you place discriminatory restrictions on who can receive an entry permit in terms of transferability, Mr. Jackman stated, the Department of Law would have serious misgivings.

In answer to a question from Representative Barber, Mr. Jackman stated that adoption of the proposed amendment would seriously weaken the constitutionality of the bill. He said it might be acceptable with minor changes. He said that if the Legislature were to spot certain evils in the system, they could enact corrective legislation--the Legislature would not be locked into a free transferability system. If a commission were created to study the matter, it would be acceptable; but it would not be constitutionally defensible to leave it open.

Mr. Jackman stated that the bill is viewed as enabling legislation to set up the commission. The fisheries are so complex and diversified that they cannot be all spelled out in the bill.

Chairman Hillstrand asked how the commission would make its selections. Mr. Jackman said the commission would deal separately with each type of gear in each area, and the first problem would be to set a maximum level of gear for each area. Under the Committee Substitute, that would be done in terms of the highest number of units of gear fished during previous years. Once that has been done, the commission will then establish regulations; these would be done under APA procedures which would set forth specific qualifications, modeled on the two standards discussed previously--degree of economic dependence and degree of past participation. These have been expanded in the committee substitute so that the commission will look at the real total framework of an applicant's dependence. In terms of past participation, the commission will look at how constant the participation was. The commission would adopt regulations based on those standards which would spell out what we would call priority qualifications.

After this work is done, Mr. Jackman said, the commission would accept applications, and individuals would set forth evidence of their qualifications. There would, however, be an opportunity for administrative adjudication. After all applications were considered, they would be ranked--this is solely a method of trying to determine those who have first claim and those who would be harmed least. Under the Committee Substitute, everyone who has been a consistent fisherman would be issued a permit. The only exception would be in the distressed fisheries which include Cook Inlet, Bristol Bay and the Copper River gill net fishery. An initial cut of not more than 25% of the gear that has fished over the past four years in these areas might be made. Mr. Jackman stated there seem to be a high number of casual fishermen in these areas.

Mr. Jackman stated a person could hold more than one permit in four situations. For example, in Prince William Sound,

one of each type of permit (purse seine and drift gill net) would be allowed. This would allow the fisherman to become more professional as it will allow for diversification. A fisherman's qualifications would be evaluated in terms of each fishery for which a permit was requested. Fishermen who only fish in one area would be able to buy a permit in another area and expand; this is the reason for free transferability, Mr. Jackman stated.

In answer to a question from Representative Hillstrand, Mr. Jackman stated that the 7% assessment for the buy back program would begin when the program was initiated in each area, but that it would be a rare instance when the assessment would be that high. The only persons participating in the buy back program will be in areas where the gear is above the optimum level; once a person has a permit, it cannot be taken away from him involuntarily. The buy back would result from the commission coming on the market and offering to buy permits.

Mr. Jackman stated that an outside fisherman would not have to fish every year if he had an entry permit in order to retain his permit; if it is a bad year, he may decide not to fish. Taking the value out of the permit, Mr. Jackman stated, goes against human nature. Merely by saying in the law that it has no value would encourage under the table payments.

Representative Freeman stated he didn't feel it was fair for the rest of the population of Alaska to subsidize the fishery if the fish were to be the exclusive property of those who owned permits. Mr. Jackman said that this has been misconstrued; the bill would not create exclusive property, but would restrict the use of the fish. This should result in the long-range enhancement of the fishery and greater revenues to the state. Longer seasons will also provide a tendency towards a more resident fishery. The people of the state are not giving away the fish, they are limiting the number of users, Mr. Jackman said.

In answer to a question from Representative Freeman regarding the value of the permits, Mr. Jackman stated that it will vary greatly, but will be a reflection of what can be made from a fishery in terms of what the long-range income potential would be; there are safeguards in the bill to discourage speculation. The permits will be expensive when it is more profitable to fish, but the value of the permit system to the state will be when the fisherman is showing a profit and is able to compete internationally.

Representative Freeman asked how a young man without a great deal of money would ever be able to enter the fishery. Mr. Jackman stated there will be a great range of permits at different prices, and the prices will be low in the undeveloped fisheries.

Representative Freeman asked if it would be possible under the system for the canning industry to control the fishery by purchasing permits and having their own fishermen. Mr. Jackman said that would be a remote possibility and would be an anti-trust problem. He said that it is a problem that will not be made worse by the bill, and the Legislature can monitor the situation and legislate against it if needed.

Representative Saylor asked what the affect might be on the price of canned salmon. Mr. Jackman stated that if production and harvesting is more efficient, there would be a possibility that the costs would go down, but this would also be tied into the processing costs.

Chairman Hillstrand asked Mr. Flavin to discuss his proposed amendment. Mr. Flavin stated that he felt his amendment was perfectly legal, and its purpose was to allow time for further study on the question of transferability. He stated he did not feel there would be any problem involving lawsuits since no one could be injured during the interim period. He said the amendment is sound since the transferability will be determined while everyone has a permit.

Mr. Flavin discussed the unknown financial aspects of transferability; he said limited entry would help resident fishermen, but only after the fishery had reached optimum gear levels and the fishery is rehabilitated. In the meantime, there will be unknown monetary problems in financing for the fishermen. For this reason, Mr. Flavin stated, he felt it would be wise for the Legislature to hold off for one year in making its decision on transferability.

It was brought out by a witness in the audience that a person who buys a boat during the interim period and is unable to get a permit would be an injured party; another example of an injured party would be one who wanted to transfer from one area to another. Mr. Flavin stated that all the individuals had to do was demonstrate that they can participate actively in the fishery before the final permits are issued.

Mr. Jackman stated that interim permits are no more than a device to obtain a permanent permit; an individual would be able to buy one if he could not qualify for one.

Mr. Flavin said this would all occur during a slack period of time; the only change in the bill would be in regards to transferability.

Mr. Jackman said the most likely attack in the courts would be that it is a design to exclude non-resident fishermen. He said that the purpose of the bill is to stabilize the fishery--not attempt to decide who is going to fish on down the line. If the question is left undetermined, a person

HB 126

could come in with the complaint that he does not know where he stands on the question of transferability. Mr. Jackman stated he felt the uncertainty weakens the defensibility of the program.

Mr. Flavin stated that the Legislature was not locked into the uncertainty and could make the determination next session. He stated there were no economic studies to justify determination of transferability.

Mr. Adasiak stated that the amendment would slow down implementation of the bill as it would leave the commission paralyzed as far as setting up administrative procedures for transfers. Mr. Jackman agreed that it would delay the program considerably--he said he was convinced of that.

Mr. Flavin submitted that the economic studies have not been done, and that the bill could be changed in the future.

Chairman Hillstrand asked if it was conceivable that a person who had worked in the fishing industry as a crew member on a boat would be able to get a permit on the basis of his experience. Mr. Adasiak stated that the bill requires that applicants have held gear licenses since statehood.

Representative Warwick stated he would like additional time to consider the bill.

ADJOURN

The meeting was adjourned at 6:07 p.m.

MEMORANDUM

TO : Representative Earl D. Hillstrand, Chairman,
House Finance Committee

FROM: Frank Flavin, Attorney for South Naknek

SUBJ: Limited Entry - Study - Revised Transferability

DATE: March 21, 1973

Attached is a proposed amendment setting up a study on the transferability question. Basically the amendment will call for Commission study and recommendations to the Legislature during the Interim period while optimum gear levels, etc., are being set, and before any permanent permits are issued. This is much different than leaving the decision up to the Commission or creating a moratorium on the transfer of permanent permits. As long as the final transfer decision is made before anyone is permanently locked into or out of the fishery no legal problems should result.

The need for further study is clear:

1. No existing studies on economic impact of free transfer.
2. No existing studies on alternative transfer methods.
3. No studies on existing entry programs in other areas before the Legislature.
4. No existing study of credit financing problem in fishery.

This amendment is needed to fully analyze the impact of limited entry on crew members and indebted fishermen.

Thank you for your consideration on this proposal and throughout the session.

Frank Flavin

FF:fm

Enclosure

Sec. 16.43.220 INITIAL ISSUE OF ENTRY PERMITS.

. . .
. . .

(b) After Legislative determination of permit transferability pursuant to Sec. 250 of this chapter the commission shall issue entry permits

Sec. 16.43.250 TRANSFER OF ENTRY PERMITS. The commission shall study alternative methods of permit transferability and report its findings and recommendations to the Legislature prior to January 1, 1975. Alternative transferability provisions considered shall include, but not be limited to; free transferability, transferability through an apprenticeship program, transferability based upon a point system, transferability through a lottery and any combination of the foregoing. The commission shall study the economic, and management impact of proposed transferability alternatives to include investigation of the credit and financing aspects of the fishing industry. [Option: use Jan. 1, 1974 instead of Jan. 1, 1975].

HOUSE FINANCE COMMITTEE
March 22, 1973
9:15 A.M.

Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present.

HB 126 HOUSE BILL NO. 126 (An Act relating to the regulation of entry into Alaska commercial fisheries) was brought before the committee for consideration. Rep. Ferguson moved and asked unanimous consent to adopt the amendment proposed by Frank Flavin, attorney for South Naknek (see bill file for amendment). Rep. Specking objected. A vote was taken and the motion was defeated, 2 in favor, 6 opposed. Rep. Haugen moved and asked unanimous consent to report the Judiciary Committee Substitute for HB 126 from committee with a "do pass" recommendation. Rep. Hillstrand objected. A vote was taken and the motion was passed to report CSHB 126 from committee with a "do pass" recommendation.

CSSB 13 COMMITTEE SUBSTITUTE SENATE BILL NO. 13 (An Act relating to the Executive Budget Act) was brought before the committee. Rep. Saylor moved and asked unanimous consent to report the bill from committee with a "do pass" recommendation. Rep. Barber objected. A vote was taken, 5 in favor of the motion, 3 opposed, and CSSB 13 was reported from the finance committee with a "do pass" recommendation.

HB 245 HOUSE BILL NO. 245 (An Act relating to oil and gas revenue) was brought before the committee. Rep. Warwick said he had prepared a finance committee substitute, and distributed copies to the members. Rep. Warwick explained the committee substitute differed from the original bill in two aspects: (1) It allowed local municipalities to levy a 7 mill tax on the line, and (2) it does not place a 20 mill tax on wells that are not producing or those that have not yet begun to produce. Rep. Warwick said he was submitting the committee substitute at the request of the sponsors. Further, the committee substitute repeals from the right-of-way act passed last year a provision that would require legislative approval before companies could go ahead with the line. The sponsors felt that if a permit were granted when the legislature was not in session, work on the line should not be delayed for legislative approval. The committee discussed the committee substitute and requested time to study same. Chairman Hillstrand said the measure would be taken up again at 2:00 P.M.

HB 34 Rep. Specking brought HOUSE BILL NO. 34 (An Act relating to abandoned motor vehicles) before the committee, and furnished members with a copy of a report from R. D. Stevenson, Department of Revenue. Rep. Freeman said he had two objections to the bill: (1) Home rule municipalities were included, which, under the law,

have the right to take care of abandoned motor vehicles in any way they want, and (2) there is an additional charge for licenses of \$1.00 due to costs involved. The committee discussed the problem. Rep. Specking moved and asked unanimous consent to report HB 34 from committee. Objections were heard, and a vote taken. 3 members were in favor of the motion, 5 opposed, and HB 34 was returned to the file.

Recess: The meeting recessed at 9:45 A.M.

AFTER RECESS

2:25 p. m.

Present: A quorum was present. Representatives Gardiner, Eliason and McGill were also present. Mr. Alan Adasiak and Mr. David Jackman from the Attorney General's Office were also present.

HB 71 Chairman Hillstrand called the meeting to order and turned the presentation over to Mr. Haugen for a discussion of HOUSE BILL 71 (an Act making special appropriations for the limited entry program for commercial fisheries; and providing for an effective date).

Mr. Haugen read the fiscal notes on the bill. Mr. Adasiak explained that the fiscal note for \$400.0 referred to the original HB 126 while the note for 739.0 is for the Judiciary Committee Substitute for HB 126.

Mr. Adasiak explained that the bulk of the interim entry permits would be \$50 permits but the Judiciary Committee Substitute provided for a special type of interim entry permits for those people who are in the social security guidelines for poverty. The permit for these persons would cost \$5 a year. Mr. Adasiak said that the Dept. of Health and Social Services believes there are about 800 people who would fall into this category.

Mr. Adasiak said that the only qualification for interim entry permits is that the person be ready, willing and able to fish.

Mr. Freeman asked about the proposed staffing for the Commission (a copy is attached to the fiscal note in the bill file). Mr. Jackman said that the commissioners may or may not have legal training. One of their major functions will be to hold adjudication hearings. Rep. Gardiner said that part of the bureaucracy will phase out after the commission is set up. He explained that this could be handled administratively by one person but the general feeling is that by having three commissioners the individual will have more representation.

Mr. Specking said the difference between the \$400.0 and the \$739.0 is because the bill now covers all species of fish and also added a buy-back clause. Mr. Specking stated that the buy-back would not begin for a year. He questioned whether they will need more than \$400.0 initially.

The committee then discussed whether funding should be at \$400.0 or \$740.0. Mr. Adasiak admitted that they had been "crystal ball gazing" but they had contacted resources people and attempted to put a handle on the cost.

Mr. Hillstrand suggested funding for 7 months which would fund through February 1. He pointed out that at that time the legislature would be back if additional funds were needed. Mr. Jackman said he felt this could present a recruitment problem. Mr. Jackman and Mr. Adasiak felt that they should plan the funding for a yearly basis. Mr. Adasiak stated that if the committee does decide on 7 months they could state that it is legislative intent to fund the remaining months.

Mr. Jackman also stated that the revenue is not all going to be coming in in January, 1974. Everyone who is fishing in 1974 will have to pay but Mr. Jackman said he did not think the legislature could determine in January how many permits there will be. He added that he did not feel they would have any more knowledge in January than they do right now (regarding the number of permits).

Mr. Barber pointed out that the money would lapse if it was not needed. He said he felt it was advisable to fund the program for a full year. Mr. Barber moved and asked unanimous consent that it be funded at \$740.0. Mr. Hillstrand objected. The motion carried. After a brief discussion, the meeting recessed at 3:30 p.m.

Recess:

AFTER RECESS
4:45 P.M.

Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present. Also present were Rep. Tom Fink and Richard W. Garnett III, Assistant Attorney General, Department of Law.

CSHB 245

FINANCE COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 245 (An Act relating to oil and gas revenue) was brought before the committee for consideration. Mr. Fink explained the committee substitute as follows:

There are two main sections of the bill: ad valorem tax and right-of-way. The ad valorem tax covers the pipeline, gathering line, tank farms and wells that are in production, and excludes wells that are not in production. The property tax would start January 1. Local government tax levies were raised to 7 mills; the basis being this covered any local taxes presently being collected. The Governor's bill did not allow local governments to tax at all; however, the committee substitute would allow local governments to tax up to 7 mills, which could be deducted from the 20 mills which the oil companies would pay to the state. The average ad valorem tax in the United States is 19 mills, based on 100% evaluation, so Mr. Fink stated the 20 mill tax is fair.

The second part of the bill has to do with right-of-way. The rental fee in the right-of-way bill passed last year was not a customary way of raising revenue, and Mr. Fink believed it was the basis for the law suit against the state. He stated pursuing the right-of-way provision could delay the pipeline by six months to two years, through court suits. This bill repeals the right-of-way provision and replaces existing law. The industry is opposed to the right-of-way provision, as it could set a precedent in other states. If the court approved the pipeline this June, the Governor would either delay construction of the line or call the legislature back for a special session. Mr. Fink did not think it wise for the legislature to go home with this hanging over their heads.

Mr. Fink concluded by saying he would prefer to see the committee substitute go out as is. The industry is prepared to pay the tax.

Rep. Saylor questioned the 7 mill tax allowed by local governments and said the balance of the state has as much right to this tax as the area through which the oil will flow. Mr. Fink replied the ad valorem tax is a traditional tax, and the state should proceed in this manner. He added: "The bill will have enough trouble passing the House, and without the 7 mill tax it will never pass."

Mr. Fink distributed a projection of ad valorem tax revenue to the committee (see bill file).

In answer to a question from Rep. Hillstrand, Mr. Fink said revenue would start January 1, 1974. He did not believe the 7 mill local government tax would be reduced, and local governments now are not taxing at this high a rate. Rep. Hillstrand questioned the "grandfather" clause, to which Mr. Fink replied he believed only Kenai would be under the "grandfather" clause.

Rep. Ferguson questioned the projected revenue figures on the chart distributed by Rep. Fink, which had been prepared by the Department of Revenue. The committee discussed the projections.

Rep. Barber asked if a tax could be levied on oil still in the ground. Rep. Fink replied it is done in Texas, and it was his impression that local governments could not impose such a tax but the state could.

Rep. Barber then asked if the ad valorem tax should be coupled with the right-of-way provision as done in this bill, to which Rep. Fink replied there was not enough support for either bill whereas two bills could get the vote.

The committee discussed whether it was morally correct to tax the pipeline before the oil was flowing. Rep. Fink compared it to a business paying tax on unused inventory or taxes paid on a building while under construction.

Mr. Garnett stated he could offer technical changes to make the committee substitute consistent, as errors had occurred in drafting the bill. First, however, he wanted to advise the committee that the oil industry has not publicly requested that the right-of-way provision be repealed, nor have they said they would stop the suit if it was repealed. He also said the right-of-way leasing act formula probably would have some effect on keeping the tariff on the line relatively low. Mr. Garnett then listed the technical errors in the bill, and suggested corrections to the committee. He will confirm these suggestions in a written report to the committee.

Rep. Ferguson questioned both Mr. Garnett and Rep. Fink on how the boroughs will benefit from the 7 mill tax and how and when they will receive their money. Rep. Hillstrand asked how the borough could tax if not providing a service, and explained the provision of a borough. The committee continued discussion.

The meeting adjourned at 6:30 P.M.

HOUSE FINANCE COMMITTEE

March 23, 1973

9:10 a.m.

PRESENT Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present. Also present were Representatives Fink, Fritz, Hackney, Gardiner, Laktonen, Carrol and Peterson. Interested parties present included: Mr. Robert Walker, Exxon Co.; Mr. Lee Bryant, Marathon Oil Co.; Mr. Rick Garnett of the Department of Law; and Mr. W. W. Hopkins, Alaska Oil & Gas Association.

CSHB 245 Representative Barber stated that the purpose of the meeting was to consider the proposed Finance Committee amendment to CSHB 245 ("An Act providing for a state tax on property used in transportation and production of unrefined oil and gas; and providing for an effective date").

Chairman Hillstrand stated that the amendment had been presented to the committee on March 22, and asked in oil company representatives would like to testify on the amendment.

Mr. Lee Bryant, representing Marathon Oil Company, asked to testify on the bill. He stated that Marathon Oil is not a participant in the TAPS group which is attempting to build the pipeline, but that they operate numerous production facilities in Cook Inlet; they operate 4 platforms and several producing facilities and have a 50% interest in the gas field. He stated he was appearing to oppose the bill, and that it is a discriminatory tax levied against one industry in the state. He stated he was not saying that it is "legally" discriminatory, but is a "morally" discriminatory tax. Mr. Garnett, in testifying before the Local Government Committee, had stated that it was not unusual for certain classifications of property to be taxed differently from others. In those cases, Mr. Bryant said, a mill rate is applied to all of those properties at a different percentage rate of the assessed valuation. Mr. Bryant said he would challenge anyone to report to the committee a finding of a tax any state applies as an ad valorem tax against a single industry.

Mr. Bryant said that most of the discussion on the bill had centered around the taxation of pipelines. Such a tax could probably be included in their tariff structures--the increased tax on the natural gas pipeline will be reflected in increased cost to consumers in the Anchorage area. It also applies to production equipment, Mr. Bryant said, and it is impossible to pass those costs on to the consumer.

Mr. Bryant stated that property taxes paid by Marathon Oil will increase 250% under the bill, and these added costs will shorten the economic life of the field. He stated that if the Legislature does levy this tax, he would prefer it be in the form of HOUSE BILL 59, because this tax would be levied only against transportation property and includes a grandfather clause. If HOUSE BILL 245 is passed, Mr. Bryant stated he would recommend the following changes:

Page 1, Line 10, the title should be changed to include producing properties, or the contents of the bill should be changed to exclude producing properties; Mr. Bryant stated he would prefer the latter alternative.

Page 1, Line 24, Mr. Bryant suggested that the grandfather clause be added; he said this would allow the cities and boroughs to continue taxing those properties they are now taxing.

Page 3, Line 18, some definition should be made as to what is the "first lien on the property".

Page 4, Line 3, defines "tax levying jurisdictions"; Mr. Bryant stated that nowhere in the bill is there any mention of "tax levying jurisdictions", so that this defines something that is not in the bill.

Mr. Bryant stated that if the bill is passed out, he hoped the above items would be corrected, but he hoped that the Legislature would allow the local jurisdictions to continue taxing those properties they are currently taxing.

Chairman Hillstrand asked for questions from the committee members. Representative Ferguson asked Mr. Bryant what would happen if no form of the bill were passed. Mr. Bryant stated that the local boroughs would continue to tax the properties up to their maximum amount of up to 30 mills. Representative Ferguson asked if the bill would increase the taxes paid by the oil companies. Mr. Bryant stated that Marathon Oil's taxes would be increased by 250%.

Representative Ferguson stated that in order for him to "swallow" this legislation, he had to know what it did, and he had been told it would allow the state to collect about \$10 million. He said he had also been told that British Petroleum would have to "lay off" 350 people if the bill were enacted and that it will cost the oil companies more money.

Mr. Bryant stated that he did want to mention one provision of the bill whereby the rental payments under the right-of-way leasing act were changed. He stated that not all properties would receive that benefit since the properties had been built before that time.

CSHB 245 Representative Ferguson stated that the fiscal note on the bill states that in 1974 the state will receive \$15,754,000, and the total shared revenues would be \$5,174,000 for local governments. He said the organized boroughs, with the exception of the North Slope Borough, are already collecting a tax. He stated he was trying to understand why the bill was needed. The organized borough would not be able to tax the production facilities because in the North Slope, the oil is not running. He stated that it seemed to him that the figures were wrong since the state could not collect \$10 million before the oil is flowing from the North Slope; the North Slope oil companies would not be paying the tax, but the Kenai oil companies would.

Mr. Bryant stated that the projections were based on Representative Fink's original bill which did not include the proposed amendment to exempt properties which are not flowing. Representative Ferguson asked if any figures were available on the amended bill; Chairman Hillstrand stated he did not believe any were available. Representative Warwick stated that these figures could be arrived at by taking the difference between the fiscal note on the Governor's bill and the fiscal note for HB 245.

Representative Ferguson stated he felt that the Legislature was hitting the Kenai oil industry; he compared it to putting a fish tax in effect on only one area of the state. He said he believed Mr. Bryant was right in his opinion that the bill would be tested in court.

Representative Specking stated that he was concerned about statements concerning a lawsuit if the right-of-way leasing provisions were not repealed. He asked Mr. Bryant if he felt that the ad valorem matter would be tested in the court.

Mr. Bryant stated that his company is not involved in the litigation, but his point of view was that this would not dismiss the lawsuit. He said his company would want to know if the law is constitutional. If it is repealed and the pipeline is built, there are other areas where pipelines can be built and the Legislature might choose to reenact the law.

Representative Specking asked if Mr. Bryant definitely felt that the companies would test the legislation in the courts. Mr. Bryant stated he felt his company would.

Chairman Hillstrand asked Mr. Bryant which version of the bill he preferred; Mr. Bryant stated he preferred the Governor's bill. Chairman Hillstrand asked if the Regional Affairs committee substitute with the grandfather clause was acceptable to Mr. Bryant's company. Mr. Bryant said that version of the bill did not include a grandfather clause. He said he felt the boroughs that are now taxing these properties should

be able to continue to tax them. He said that the Kenai Borough feels strongly on the matter since they have based revenue projections on their ability to continue this taxation and have issued bonds on that premise.

Representative Barber asked Mr. Bryant if he felt that the state would weaken its positions before the courts if this legislation were passed; Mr. Bryant said he could not answer that question. Representative Barber asked if Mr. Bryant felt the legislation would strengthen the state's position in the courts; Mr. Bryant stated he felt it would not.

Representative Ferguson asked how the boroughs would be able to receive any revenue under the bill. Representative Fink stated that the state would collect 20 mills under the legislation less the amount collected by the boroughs (up to 7 mills). If the boroughs do not levy any taxation, the state would collect the entire 20 mills.

Mr. Bob Walker, representing Exxon Co., asked to testify on the bill. He stated, addressing himself to all versions of the bill, that his company is opposed to any ad valorem tax on the pipeline at this time. He said his company agrees with everything Mr. Bryant had discussed. He stated, in reference to Representative Specking's question, that it is his company's opinion that repeal of right-of-way leasing provision would have no effect on its position in connection with the lawsuits which will be heard in the next two weeks. He stated that the other provisions of the right-of-way leasing act are just as onerous in his company's view as the rental provision.

Chairman Hillstrand asked Mr. Walker which version of the bill his company would prefer; Mr. Walker stated it would not prefer any of them.

Representative Gardiner commented on the political strategy being used on the bill. He stated it was his belief that the ad valorem bill should be passed and have the right-of-way provisions added as amendments.

Representative Gardiner mentioned that he felt the Legislature should consider its national image in relation to repealing a law before it is scheduled to be tested in court. He said he did not feel it looked very responsible, and the environmentalists could point to it as an irresponsible action.

Representative Gardiner stated that some of the objections of the oil companies to the right-of-way leasing bill might be alleviated by the promulgation of regulations which refine and define the formula.

CSHB 245 Representative Gardiner stated he felt a lower tariff on the pipeline would encourage development of other oil fields.

Representative Gardiner stated that during hearings held on the bill before the Resources and the Local Government committees, there were only 3 individuals who testified in favor of repealing the right-of-way leasing provisions. These individuals were the two sponsors of the bill and Representative Warwick. Representative Gardiner stated that the only reason given for repeal was to speed up the court case, and it was his feeling that that is a rationalization. He stated that other provisions of the Act were just as objectionable to the oil companies.

Representative Gardiner stated that he believed that regardless of what version of HB 245 was passed out, it would go to court. Representative Gardiner stated the Finance Committee Substitute was insulting to the Resources Committee, since that committee had drafted technical amendments to the bill that were not included. Representative Warwick stated that those amendments were being looked at.

Representative Barber asked if the Community and Regional Affairs substitute included 7 mills for the local governments. Representative Gardiner stated it was on page 2, line 3. Representative Barber asked if that would maintain the status quo as far as revenues to the boroughs. Representative Gardiner stated the Kenai Borough collects 5 mills within the borough and 7 mills within the city of Kenai and an additional 1.6 mills for the hospital district. He said the area would not get exactly what they are receiving now in revenues, but he felt that if they taxed production and transportation facilities at 7 mills they would receive more revenue than they are now receiving.

Representative Freeman asked if the real question was not who is going to have the authority to levy the tax. Representative Gardiner stated the question is whether the assessed valuation of the oil properties, which is larger than all other assessed valuations in the state, is going to be taxed by only a few local governments or the entire state.

RECESS A recess was called at 9:55 a.m.

HOUSE FINANCE COMMITTEE
AFTER RECESS
3:45 p.m.

PRESENT: Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present. Also present was Mr. Rick Garnett of the Department of Law. Representative Fink entered later in the meeting.

CSHB
245 Representative Warwick circulated a proposed committee substitute on CSHB 245 ("An Act providing for a state tax on property used in transportation and production of unrefined oil and gas; and providing for an effective date.") He stated that the bill incorporated technical changes suggested by Mr. Garnett of the Department of Law.

Representative Warwick asked Mr. Garnett if the language of the proposed Finance Committee Substitute in Sec. 43.56.010 would apply to local municipalities. Mr. Garnett stated that his view was that the tax under this subsection will not be applied until the oil facilities are in operation, but this does not operate to reduce or exclude the local boroughs taxing power over property in their jurisdictions. Once production starts, Mr. Garnett said, he believed that the property would be excluded from borough taxation.

Representative Warwick moved and asked unanimous consent that the COMMITTEE SUBSTITUTE FOR HOUSE BILL 245 (FINANCE) be passed from committee with individual recommendations with an amendment to Page 1, Line 28, stating that "taxes imposed by subsections (a) and (b) shall not be applied until these facilities are actually employed." Representatives Specking and Ferguson objected.

Representative Saylor's motion moved and asked unanimous consent that CSHB 245 be tabled; Representative Haugen objected. The question was called for, and four members voted in favor of the motion. Chairman Hillstrand stated that Representative Saylor's motion to table CSHB 245 had failed.

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Representative Specking moved that HOUSE BILL 245 be tabled. Representative Haugen objected; the question was called for, and six members voted in favor of Representative Specking's motion. Representative Hillstrand stated that the motion to table HOUSE BILL 245 had passed, and the discussion of the bill was terminated.

HB 71

Representative Barber moved and asked unanimous consent that HOUSE BILL 71 ("An Act making special appropriations for the limited entry program for commercial fisheries; and providing for an effective date") be amended on Line 1 of Page 10 by changing the amount \$350,000 to \$740,000, and that it be passed from committee with a "do pass with attached amendment" recommendation. Representative Haugen objected, stating that he would amend the amount to \$400,000. The question was called for, and five members voted in favor of Representative Barber's motion. Chairman Hillstrand stated that the motion had passed, and HOUSE BILL 71 was passed from committee.

HB
252

Chairman Hillstrand stated that the committee would take up HOUSE BILL 252 ("An Act relating to employment security; and providing for an effective date"). Representative Fink was present to discuss with the committee a proposed committee substitute; also present were officials of the Department of Labor, including Mr. B. W. Finley, Mr. Robert Anderson and Mr. Kellus Sewell.

Representative Fink circulated the proposed committee substitute, and explained to the committee the benefits covered by the Governor's bill. He stated that the Chamber of Commerce says that unemployment compensation is too low, but do not approve of the floating scale provided by the Governor's bill. They would support a bill based on \$8,000 taxable income with \$75 in benefits in 1974, and which would be based on \$9,000 in 1975 with \$90 in benefits. Representative Fink stated that organized labor supports the Governor's bill; he said that he had explained to organized labor that he did not feel the Legislature would support the floating scale.

Representative Fink explained the committee substitute bill which he supports. He stated that the scale could change under this plan according to the status of the fund; if the fund were considered over-adequate, the employer would get a lower rate or it could increase, but it would not be drastic. Representative Fink said this system is used successfully in the majority of the states. The committee substitute would be based on \$10,000, which adds \$2,800 to the amount now collected upon.

Mr. Finley explained to the committee that legislation is now pending before Congress which would require all states to base their compensation on $66 \frac{2}{3}$ percent of the average weekly wage. Alaska is working on legislation which would raise their rate to 40%; he stated that Alaska's rates are among the lowest in the nation. At the current time, Alaska is paying 27% of the average weekly wage. If the rate were raised to \$90, Alaska would be paying 40% of the average weekly wage.

HB
252

In answer to a question from Chairman Hillstrand, Mr. Finley stated that 18 to 20 percent of all unemployment compensation paid by the State of Alaska is paid to persons residing outside of the state.

After further discussion, Representative Ferguson moved that HOUSE BILL 252 be replaced by CS HB 252 and passed from committee with individual recommendations.

Representative Warwick objected, and questioned Mr. Finley about persons receiving compensation and the requirements under the law for them to accept work. Mr. Finley stated they are required to accept suitable work at a suitable wage. He stated that the State could not require an individual to accept work which would necessitate his breaking his union contract, however. Representative Warwick removed his objection.

Representatives Saylor and Freeman objected. Representative Freeman stated that he felt that the committee was entitled to hear testimony from labor and management on the bill.

After discussion, the committee decided to schedule hearings with interested persons from labor and management, but to pass the bill from committee with individual recommendations. Representatives Saylor and Freeman removed their objections, and the bill was passed from committee (see bill file).

ADJOURN The meeting was adjourned at 5:00 p.m.

HOUSE FINANCE COMMITTEE

March 26, 1973

9:30 a.m.

Present: A quorum was present. Vice-Chairman Haugen called the meeting to order.

HB 34 Mr. Freeman moved and asked unanimous consent that the committee consider HOUSE BILL 34 (an Act relating to abandoned motor vehicles). Mr. Freeman explained that he had requested Legislative Affairs to draft a Finance Committee Substitute. Mr. Freeman explained the Committee Substitute. Mr. Barber asked if this would affect the procedure currently used by the Anchorage Borough. Mr. Freeman said no. After a brief discussion, Mr. Freeman moved and asked unanimous consent that HOUSE BILL 34 be replaced with Committee Substitute for House Bill 34 (Finance) and that it pass from committee with a do pass recommendation. No objection. (All members present signed "do pass").

HB 325 Mr. Saylor moved and asked unanimous consent that the
HB 326 committee consider HOUSE BILL 325 (Creating the Capital Location Advisory Commission) and HOUSE BILL 326 (making a special appropriation to the Office of the Governor for the Capital Location Advisory Commission). The committee decided no action was necessary on HB 326 as funding had been provided in CSHB 58 (budget bill).

Mr. Saylor moved and asked unanimous consent that HOUSE BILL 325 pass from committee with individual recommendations. There was no objection, so HB 325 passed from committee with 5 "do pass" and 2 "no recommendation" votes.

Recess: The committee recessed at 9:50 a.m.

AFTER RECESS
2:15 P.M.

Rep. Haugen called the meeting to order and noted for the record that a quorum was present. Also present were Robert Gates, Benefits Administrator, Department of Administration; and William Overstreet, representing the Alaska Association of School Boards.

SB 101

Mr. Gates was present to explain SENATE BILL NO. 101 (An Act relating to years of creditable service under the Teachers' Retirement System). He stated the purpose was to amend existing statutes to reduce the normal eligibility requirements for retirement to 25 years from the present 30 years of service requirement, with all other requirements unchanged. SB 101 involves a cost factor of approximately \$425,700, with \$3,500 in additional administration. The state's contribution rate is 50% for the various school districts, except for those related to the state-operated schools and the University of Alaska where the state pays the entire rate. \$425,000 will represent a .72% increase for state-operated schools and the University and .36% for local schools. The total cost for the bill is \$425,000 plus \$200,000 which will be borne by the school districts, representing their half of the contribution.

Rep. Warwick noted the present 5% limitation for the teachers' contribution now in the statutes would have to be changed to comply with SB 101. Mr. Gates said the relationship between the teachers and the employer would be changed, and the teachers' rate increased by 1/2%. Discussion followed.

Mr. Overstreet said he would like to see the passage of SB 101 due to four problem areas: (1) Tenure - unsatisfactory teachers now continue in the profession because of economic necessity; (2) Trained young people coming out of college find the job market has disappeared; (3) Districts lay off teachers because of the total financial picture; and (4) Districts could retire a few teachers with 25 years of service and retain younger teachers at a lower rate of pay. Mr. Overstreet explained he was not speaking for the teachers, but thought SB 101 was a highly desirable piece of legislation.

Mr. Gates stated he had no recommendation on the bill, but had no reasons for objecting to it.

The committee discussed the savings factor and questioned if the state would actually save money. Replying to questions, Mr. Gates said the average age of teachers is 38, and about six or seven have worked past the age of 65.

HB 48

HOUSE BILL NO. 48 (An Act relating to community schools) was brought before the committee for discussion. Mr. Overstreet urged consideration of this bill by the committee because he believed such legislation will be passed sooner or later. The bill involves a great number of people in an economical way by recognizing many people are seeking training which could be provided by other people in their neighborhood through the use of otherwise vacant school buildings. Mr. Overstreet explained there would be a minimal investment by the state, and said the program is serving 1800 people per week in Juneau with three people administering the program. The only other cost factor would be heat and light for the school building. HB 48 would phase in the plan for use of community schools at an amount equal to 1/2 of 1% of foundation and title money, increasing the following year to 1%, then 1-1/2%, and finally reaching 2%. Mr. Overstreet explained the difference between the original bill and the committee substitute and explained the fiscal note (see bill file). He stated the concept is endorsed by many civic organizations. Mr. Ose questioned the fees charged for courses, to which Mr. Overstreet replied the fees collected are used to pay minimum salaries to the teachers; however, many courses are offered free of charge. Rep. Freeman asked if it would be wise to initiate such a program, with the possibility that funds may not be available next year to continue. Mr. Overstreet believed the communities may possibly support the programs once they were initiated by the state. Juneau is funding their present program through local funds. Rep. Haugen asked what plans were being made by local school boards due to the poor financial picture of the state, and requested Mr. Overstreet to discuss this problem at school board meetings. Mr. Overstreet said he would report back to the committee on this subject next session.

HB 266

HOUSE BILL NO. 266 (An Act relating to the public employees' retirement system) was brought before the committee for discussion. Rep. Saylor's questioned the employer's contribution rate on page 6 of the bill, and asked if there has been any actuarially determined rate for all employers throughout the state. Mr. Gates replied they are working on the figures right now, and should have them ready in a day or two. He believed it would be a reduction from the current year's rate, and the savings is two-fold. Rates were compared. Mr. Gate repeated that the state's rate should go down, and others will not go up. Past service liability will remain the same, a new constant future service rate will apply, and a reduction should occur to the state. Final figures will be ready in a day or two, and Rep. Saylor's requested that these figures be provided to the committee.

HB 265

HOUSE BILL NO. 265 (An Act relating to the teachers' retirement system) was brought before the committee for discussion. Rep. Warwick asked the purpose of the bill, to which Mr. Gates replied \$130,000 will be saved through a change in the funding which is the method of payment for arrearages and cost-of-living benefits. This will be transferred into an actuarial cost, opposed to what is being done this year, to try and determine the percentage of teachers' match. Administratively and cost-wise, Mr. Gates believed this is highly desirable. The actuarial rate, when considering this bill, will be at a rate of 10.29, which will exceed the existing statutes. The committee discussed HB 265.

Adjourn: The meeting adjourned at 3:55 P.M.

HOUSE FINANCE COMMITTEE
March 28, 1973
9:00 A.M.

Rep. Haugen called the meeting to order to hear testimony from Rep. Milo H. Fritz.

HCR 11

Rep. Fritz referred to COMMITTEE SUBSTITUTE HOUSE CONCURRENT RESOLUTION NO. 11 (Relating to health personnel at the Pioneers' Homes) and said there is no program at the present time for physiotherapy or occupational therapy at the Pioneers' Homes. Such a program should be initiated in order to give the retired people in the Homes a more meaningful life. An M.D. is needed to oversee a physiotherapy program, and Rep. Fritz had recommended Dr. John Fenger, formerly of Homer and now residing in Phoenix, in the original resolution. The committee substitute omitted the name of Dr. Fenger, which made the resolution more acceptable to the representatives. Rep. Fritz estimated the program would cost \$8,000 to \$10,000 for a doctor's services; however, Rep. Warwick noted the fiscal note had estimated costs at \$22,000.

HCR 12

COMMITTEE SUBSTITUTE HOUSE CONCURRENT RESOLUTION NO. 12 (Relating to vision and hearing equipment at the Pioneers' Homes) was brought before the committee for discussion. Rep. Fritz stated vision and hearing equipment was needed at the Pioneers' Homes in order to diagnose eye and ear problems. Television and conversation are the main recreation for the residents of the Homes, and vision and hearing defects prohibit such pursuits. Rep. Fritz estimated equipment could be purchased at a cost of \$12,000. Rep. Warwick noted the fiscal note estimated \$87,000 for equipment, sound-proof rooms, and three specialists to administer the program. Rep. Fritz said the fiscal notes for both HCR 11 and HCR 12 were excessive, and he would check with the department that submitted the cost projections.

HCR 13

COMMITTEE SUBSTITUTE HOUSE CONCURRENT RESOLUTION NO. 13 (Relating to the need for human waste disposal facilities) was brought before the committee for discussion. Rep. Fritz said the state has solicited tourists, but has not provided adequate sewerage facilities for campers. One example was the ferry landing at Haines, where a delay in the ferry schedule turns the parking lot into a sewer as the campers dispose of their holding tanks. The committee agreed that there was a need for such facilities, but the question was who should provide them and where the money will come from. Rep. Specking suggested Parks or Highways, as he did not think this should necessarily be a project assigned to Environmental Conservation.

HB 196

Rep. Fritz suggested the above program could be funded through passage of HOUSE BILL NO. 196 (An Act relating to tobacco tax).

Recess: The meeting recessed at 9:30 A.M.

HOUSE FINANCE COMMITTEE
March 30, 1973
1:30 p.m.

- PRESENT Chairman Hillstrand called the meeting to order and noted for the record that all members were present.
- SB 107 Representative Warwick moved and asked unanimous consent that SENATE BILL 107 am be replaced with HCS for SENATE BILL 107 as amended by Finance and passed from committee with a "do pass" recommendation. Representative Ferguson objected; Representative Ferguson withdrew his objection. There being no further objections, it was so ordered.
- SB 108 Representative Warwick moved and asked unanimous consent that SENATE BILL 108 ("An Act establishing a narcotics and dangerous drugs enforcement unit in the division of state troopers") be replaced with HOUSE COMMITTEE SUBSTITUTE (Judiciary) and that HCSSB 108 be passed from committee with a "do pass" recommendation. There being no objection, it was so ordered.
- HB 23 Representative Warwick moved and asked unanimous consent that HOUSE BILL 23 ("An Act authorizing pari-mutuel betting on certain horse races") be replaced with HOUSE COMMITTEE SUBSTITUTE (Judiciary) for HOUSE BILL 23 and that it be passed from committee with a "do pass" recommendation. There being no objections, it was so ordered.
- HB 265 Representative Warwick moved and asked unanimous consent that HOUSE BILL 265 ("An Act relating to the teachers' retirement system") be replaced with HOUSE COMMITTEE SUBSTITUTE (HESS) for HOUSE BILL 265 and that it be passed from committee with a "do pass" recommendation. There being no objections, it was so ordered.
- SB 185 Representative Warwick moved and asked unanimous consent that SENATE BILL 185 ("An Act relating to earlier service credit under the public employees' retirement system; and providing for an effective date") be passed from committee with a "do pass" recommendation. There being no objections, it was so ordered.
- SCR 29 am Representative Warwick moved and asked unanimous consent that SENATE CONCURRENT RESOLUTION 29 am ("Relating to the construction of the Copper River Highway") be replaced with HOUSE COMMITTEE SUBSTITUTE for SENATE CONCURRENT RESOLUTION 29 and that it be passed from committee with a "do pass with attached amendment (Finance)" recommendation. There being no objection, it was so ordered.
- HB 401 Representative Saylor moved and asked unanimous consent that HOUSE BILL 401 ("An Act relating to the Executive Budget Act; and providing for an effective date") be passed from committee with a "do pass" recommendation. Representatives Freeman and Barber objected. The question was called for, and all members voted in favor of the

HB 401 motion except Representatives Barber, Ose, Ferguson and Specking.
The Chairman stated the motion had passed (see bill file for
Committee report).

ADJOURN The meeting was adjourned at 1:40 p.m.

HOUSE FINANCE COMMITTEE

April 2, 1973

9:23 a. m.

Present: All members present.

Chairman Hillstrand called the meeting to order. He turned the presentation over to Representative Saylor.

CSSB 199am (Finance) Representative Saylor spoke on SENATE BILL NC. 199 (an act relating to the basic salary schedule for state employees; and providing for an effective date). He urged the committee to adopt a committee substitute. Mr. Saylor moved and asked unanimous consent that a House Committee Substitute (which would grant a pay increase of 4%) be passed out of committee with individual recommendations. After a brief discussion, the motion failed 4 to 5.

Recess: The meeting recessed at 9:35 a.m.

HOUSE FINANCE COMMITTEE

April 5, 1973

9:00 p.m.

PRESENT: Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present. Also present were Representatives Fink and McVeigh.

Chairman Hillstrand stated that the purpose of the meeting was to consider HOUSE BILL 76 ("An Act relating to the Alaska State Housing Authority") and CSSCR 28am ("Relating to the leasing of space from the Alaska State Housing Authority").

CSSCR 28 Chairman Hillstrand stated that amendments were proposed in the amounts of \$2.5 million for acquisition of a site for a federal building in Anchorage, \$400,000 for the Seward Skill Center, and \$1.4 million for bush schools. Representative Saylor stated that he would desire that the parking garages in Juneau, Fairbanks and Anchorage be deleted.

Representative Saylor moved that CSSCR 28 be tabled. The question was called for, and Representative Saylor voted in favor of the motion. The motion failed.

HB 76 Representative Warwick moved and asked unanimous consent that HOUSE BILL 76 be passed from committee with individual recommendations (see bill file for Committee Report). There being no objections, it was so ordered.

RECESS A recess was called at 9:15 p.m.

HOUSE FINANCE COMMITTEE
AFTER RECESS
10:20 p.m.

PRESENT: Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present.

CSSCR 28 Chairman Hillstrand stated that CSSCR 28 ("Relating to the leasing of space from the Alaska State Housing Authority") was before the committee.

Representative Freeman moved and asked unanimous consent that HCSCSSCR 28 be amended by adding \$2.5 million for Anchorage state/federal land acquisition and that it be passed from committee with a "do pass" recommendation.

Representative Saylor's objected and moved to amend the motion by deleting the Anchorage, Fairbanks and Juneau parking garages. Representative Barber objected.

The question was called for on Representative Saylor's motion; all members were opposed to the motion except Representative Saylor's, and so the motion failed.

Representative Saylor's moved to amend the motion made by Representative Freeman to add \$1.6 million for a senior citizens' apartment complex in Anchorage and \$1.1 million for a senior citizens' apartment complex in Fairbanks. The question was called for, and all members were opposed to the motion except Representatives Saylor's and Warwick; and so, the motion failed.

The question was called for on Representative Freeman's motion; all members voted in favor of the motion except Representative Saylor's. CSSCR 28 was passed from committee (see bill file for Committee Report).

HB 302 Representative Ose moved and asked unanimous consent that HOUSE BILL 302 ("An Act entering into the Interstate Compact on the Mentally Disordered Offender; providing for implementation of the compact; and providing for an effective date.") be passed from committee with a "do pass" recommendation. There being no objection, it was so ordered.

HB 232 Representative Saylor's moved and asked unanimous consent that HOUSE BILL 232 ("An Act relating to the districts of the superior court") be passed from committee with a "do pass" recommendation. There being no objection, it was so ordered.

SB 208 Representative Ose moved that SENATE BILL 208 ("An Act relating to the Professional Teaching Practices Act; and providing for an effective date") be passed from committee with individual recommendations. Representative Warwick objected; the question was called for, and Representatives Ose and Ferguson voted in favor of the motion. Chairman Hillstrand declared that the motion had failed.

ADJOURN The meeting was adjourned at 11:15 p.m.

RENEW

RES.

HOUSE FINANCE COMMITTEE
Sub-committee on Rehabilitation, Improvement
and Development of Renewable Resources

February 20, 1973
7:00 p.m.

PRESENT: Chairman Haugen; Representatives Barber, Freeman, Gardiner, Laktonen, Tillion, McGill and Malone. Witnesses present included: James W. Brooks, Commissioner, Department of Fish and Game; Joseph R. Blum, Deputy Commissioner, Sport Fish and Game; Carl L. Rosier, Director, Division of Commercial Fisheries; Frank Jones, Director, Division of Game; Rupert E. Andrews, Director, Division of Sport Fish; Bob Roys, Director, Division of Fisheries Rehabilitation, Enhancement and Development; and Vern Roberts, Director, Division of Administration.

Chairman Haugen called the meeting to order, stating that the main purpose of the meeting was to discuss the budget, starting with Administration, and to try to get down to program costs. He asked Commissioner Brooks to begin his presentation on the Administration portion of the budget and to furnish the committee with staffing charts.

Adminis-
tration
and
Support

Commissioner Brooks stated that the sub-program of Administration and Support in the Department of Fish and Game has a total operating budget for FY 73 of \$1,767,800; the FY 74 Request is for \$1,929,000. Commissioner Brooks mentioned that while the budget request for Administration and support is up slightly from FY 73, it is still a reduction of approximately \$100,000 below what the department considers a maintenance budget because of the increased cost of doing business from one year to the next.

Fish &
Game
Board

The Board of Fish and Game, Commissioner Brooks stated, was budgeted \$26,500 in FY 73, and the department has requested \$30,000 for FY 74. Commissioner Brooks stated that this increased amount will allow somewhat more flexibility to the Board in selecting meeting places. He said that the Board will be meeting in Anchorage again in April, even though it met there in January, because of the savings in travel costs. The present budget does not allow sufficient money for the Board to have extraordinary meetings which experience has proven is sometimes necessary. The slight increase will allow to Board to hold meetings in Juneau rather than Anchorage if it should elect to do so.

Office of the Commissioner
Commissioner Brooks stated that the Commissioner's Office was authorized \$158,800 for FY 73; the FY 74 Request is in the amount of \$158,300. Essentially, there is no change-- this is just a maintenance level budget.

Information and Education
Commissioner Brooks stated that Information and Education was authorized \$92,000 in FY 73; the FY 74 Request is for \$97,400, which is just barely maintenance level. He stated that this figure reflects a slight increase in additional costs for printing of publications.

Admin. Services
Administrative Services was authorized \$931,900 in FY 73; the amount request for FY 74 is \$1,026,000, Commissioner Brooks stated. Mr. Vern Roberts, Director, Division of Administration distributed pie graphs which explained the expenditure of funds within Administrative Services. He said that the increase in this area reflects increased costs assessed by the Department of Administration, the Division of Personnel, increased rents and utilities, and increased rental costs from ASHA; the major increase is in rental costs. Mr. Roberts stated that the same level of services will be provided.

Information and Education
Chairman Haugen asked Mr. Roberts to go back in this sub-program prior to 1972 and relate the costs. Mr. Roberts stated there was no appreciable increase in the program in about 5 years. Commissioner Brooks stated there was, in fact, a decrease of \$8,700 between 1972 and 1974.

Engineering
Commissioner Brooks stated that the FY 73 Authorized was \$73,600 for Engineering; the FY 74 Request is in the amount of \$87,600 which represents increased costs of doing business.

Vessels
Vessel operation for FY 73 was authorized at \$485,000, Commissioner Brooks said; the FY 74 Request is in the amount of \$528,900. The increase represents the cost of hauling out and sandblasting the M/V RESOLUTION. Chairman Haugen asked how much overtime was included in this program. Mr. Roberts referred to page 493 of the budget workbook and stated the amount was \$36,000.

Representative Haugen asked where the receipts for vessel charges were shown. Mr. Roberts stated that the Fish and Game Working Capital Fund no longer existed, so the department budgeted for operation of the vessels for the full year; there is no direct charge to the using agency.

Commissioner Brooks stated that the above briefly explained the budget for Administration and Support; the total for this BRU is \$1,929,000. Of the total, \$1,288,500 will be General Fund monies; the remainder is from federal receipts and the Fish and Game Fund.

Chairman Haugen asked how many personnel were employed in Administration and Support; Mr. Roberts said there was a total of 62. This can be broken down as follows:

Office of the Commissioner	6
Information & Education	4
Administrative Services	30
Engineering	3
Vessels	<u>19</u>
TOTAL	<u>62</u>

Mr. Roberts stated that he was sure the committee was looking for places to cut the budget; however, he wished to point out that if you look at the pie graph, one-half of the Administrative Services budget reflects salaries to comply with in-house requirements. The flexible portion of the budget, travel and equipment, represents only 1.6% of the total request. There is very little capacity to reduce rents and utilities. If reductions are to be made, Mr. Roberts said, it will have to be in the numbers of employees and then the functions accomplished by those people will have to be transferred elsewhere.

Chairman Haugen asked how many new positions were in the FY 74 request; Mr. Roberts said there were none. Chairman Haugen commented that it appeared to be a pretty tight budget. Commissioner Brooks said that the committee might consider "adding a little bit in." He stated that he had requested money to repair the roof in the subport building, which is literally falling in, but the money had been cut out by a budget analyst who reasoned that Fish and Game would be vacating the building next year. Commissioner Brooks stated he knew nothing about a change of quarters planned for next year.

COMMERCIAL
FISH

Chairman Haugen asked that Mr. Carl Rosier, Director of the Division of Commercial Fisheries, run through his budget and explain the changes from last year's program.

Mr. Rosier stated that the major change this year would be the combination of the Research Headquarters budget request with the Administration and Support budget request; these two elements are together for the first time this year.

Mr. Rosier said that the total amount authorized for Commercial Fish for FY 73 was \$3,882,700; this was comprised of three elements:

Research	\$1,692,500
Management	2,049,300
Admin. & Support	<u>140,900</u>
	<u>\$3,882,700</u>

COMMER-
CIAL
FISH

Mr. Rosier stated that the request for FY 74 was as follows:

Research	\$1,174,500
Management	2,606,000
Admin. & Support	359,500
TOTAL	<u>\$4,140,000</u>

Research Mr. Rosier said that under the Research Element this year, there was a visible decrease. He stated this was due to the fact that certain programs had been transferred to Management (i.e., stream surveying and weir management). These had been transferred because they were no longer research programs, but had developed to the routine stage.

Management Mr. Rosier stated the increase in the Management element (\$2,049,300 to \$2,606,000) mainly represented the transferred programs mentioned above.

Chairman Haugen asked in there were any new positions in the Commercial Fish request; Mr. Rosier stated that the new positions requested had been deleted by the Governor's Budget Review Committee.

King Crab Chairman Haugen asked for an analysis of the King Crab Program cut by the Budget Review Committee.

Mr. Rosier stated that the division had been anticipating developing an index system on the Alaska Peninsula this year as a basis for developing a quota management program; he said there is a similar program in the Kodiak area, and it had been planned to extend this program to the south side of the Peninsula. Commissioner Brooks stated that the department felt a need to have more information as a basis for management.

Chairman Haugen asked that the committee be apprised of what the King Crab proposal entailed and the costs. Mr. Rosier read the proposal as presented in the budget request:

The Cape Kumlik to Unimak Pass portion of the Westward Region has been a geographic area in which proper sampling and indices of abundance of King Crab have not existed to provide proper regulatory purposes. During 1971 the commercial harvest decreased to the lowest level in the history of the LM area fishery. Proper regulatory measures may be initiated from information provided by population sampling and inventory.

The costs for the proposed program were as follows:

King
Crab

Personal Services	\$ 8,400
Travel	1,700
Contractual Services	25,700
Commodities	3,600
Equipment	400
	<u>\$39,800</u>

Mr. Rosier stated that the department has a quota system of management in king crab and through the above-outlined indexing program, the department would have been able to determine and forecast how many crab might be coming into the area and thus manage the fishery more effectively.

Shumigan
Shrimp
Program

Commissioner Brooks stated that when you look at the department's budget request, the department had originally recommended a shrimp program in the Shumigan area; he said that these programs have to be assigned certain priorities. The Shumigan fishery is increasing at a very rapid rate, and the department has techniques available for managing the stocks in a manner that will assure sustained yield; but they cost money. Commissioner Brooks said that using what is called a "bio-mass" index on shrimp--going in and making sample graphs according to a pattern and calculating the total body that is there--an estimate can be made on the total that could be harvested. He said that currently there is an unmanaged shrimp resource in that area, and the department felt it would be smart to learn to manage it before we damage it. He said that all of these programs have to compete for money with the other responsibilities of the department, and the judgment of the Governor's Budget Review Committee was that these items (the King Crab Program and the Shumigan Shrimp Program) could not compete with the other needs of the department and should be dropped. On that basis, Commissioner Brooks said, he agreed; the monies are now spread to the areas of most need.

Representative Tillion asked if shrimp were being over-harvested in the Kodiak area. Commissioner Brooks said they were not; there is a quota system for that area. Mr. Rosier added that there is an overall limit on shrimp for the area of 55 million pounds.

Herring
Study
Program

Chairman Haugen asked if there were any funds included in the budget request for the herring study. Mr. Rosier said there were; he said there was a \$10,500 increase for expansion of the existing herring program.

Chairman Haugen reiterated that the Budget Review Committee had cut the department's request by \$70,000 for the Shumigan Shrimp Study and \$40,000 for the King Crab Program.

COMMER-
CIAL
FISH

Commissioner Brooks stated that the above outlined the differences in the Commercial Fish budget request and the current year's appropriation; he said it was a maintenance budget.

Chairman Haugen asked why there was an increase in the request for air charters. Commissioner Brooks explained that the department had had to transfer its fleet of airplanes to the Department of Public Safety when the Protection function was transferred to that department. Mr. Rosier stated they were experiencing quite an increase in rates in this area because of the very specialized nature of the surveys.

Herring
Study
Program

Mr. Rosier stated that with the approved expansion of the herring evaluation study, the program would have a total budget of approximately \$58,000; he said there was a tremendous need for expansion in the program. Chairman Haugen asked if Mr. Rosier felt this was an adequate amount. Mr. Rosier said that the department was working in the program under this budget at the present time and was getting by; he said there would be tremendous expansion in this fishery this year. He said, however, due to the lack of information, the department would take a very conservative approach to harvesting this year.

Trolling
Program

Representative Gardiner asked what the department intended to accomplish with the trolling program that was being initiated this year. Mr. Rosier stated that this is an area that is largely unregulated and unmanaged, and the department is looking towards development of a management program. He said this program was to be tied into two other programs: (1) evaluation of major systems in the northern one-half of Southeastern Alaska; and (2) a coast-wide sampling program with British Columbia, Washington and Oregon to evaluate the contribution of the Columbia River hatcheries. Representative Tillion asked what percentage of the fish Canada is taking; Mr. Rosier said that it would be purely speculation on his part, but that he assumed it was 60 to 70%.

Tanner
Crab

Representative Gardiner asked if anything had been included in the budget request for tanner crab. Mr. Rosier stated that there was nothing in the budget for tanner crab for this year; he said this industry is just starting to grow and, under the priorities of the department, no program had been submitted for this year. Commissioner Brooks stated that the department recognized the danger where there was an expanding fishery on unknown stock, and the department would like to learn about it.

Commissioner Brooks stated that deletion of these programs was due to the ceiling imposed by the administration. In answer to a question from the Chairman, Mr. Roberts stated that the General Fund ceiling was \$6,815,000.

Tanner
Crab

Commissioner Brooks explained that the tanner crab research did not stand a chance of surviving under this ceiling. He said that the department is doing a small amount of experimental work with the mesh size of pots to allow the smaller crab to escape while holding the size crab most desirable to industry; there is no size limitation on tanner crab at the current time. There is not sufficient information in the area for the Board to make that decision, and it is pretty much being taken care of between the fisherman and the processor. He said the industry could entail a great deal of waste since the animals are fragile to handle.

Representative Tillion asked if any work was being done in the area of ghost gear. Commissioner Brooks stated they were doing some experiments with cotton panels in pots, but they were not required.

Bottom
Fish

Representative Gardiner asked if any work was being done in development of the bottom fish industry in Kodiak. Mr. Rosier said this project should be in full operation within the next year and could involve any number of different species. He said it was a relatively small program to get observers onto the vessels. Chairman Haugen asked how large this fishery was. Mr. Rosier said it was very limited at the present time, but that a fillet machine had been brought to Kodiak, and the department expects that fishing will commence this year. He stated that the fishing grounds were rich--up to 50,000 pounds per drag. The program will merely be to put one or two observers on the vessels to see what is being caught and when it is being caught.

SPORT
FISH

Chairman Haugen asked Mr. Rupert Andrews to outline his division (Sport Fish) budget for the committee.

Mr. Andrews stated that the budget for the Division of Sport Fish was a "below maintenance" budget, and that no monies from the General Fund are involved. He said that only Fish and Game funds and Dingall-Johnson federal funds are involved. Fish and Game funds are matched on a 3 to 1 basis with the federal funds.

Mr. Andrews stated that there was an error in the budget request for the Division of Sport Fish. The budget is broken down into four elements: Research; Management; Restoration; and Administration and Support. The error is in the amount of \$88,800 in personal services; four positions were shown twice--once in Administration and Support and once in Management.

SPORT
FISH

The correct totals for the four elements of the
FY 74 Request are:

Research	\$1,130,700
Management	606,100
Restoration	39,700
Administration & Support	<u>113,500</u>
TOTAL	\$1,890,000

The corrected funding amounts are:

Federal Receipts	\$ 814,400
Fish & Game Fund	<u>1,075,600</u>
	\$1,890,000

Mr. Andrews stated the FY 74 Request was \$67,000 higher than the FY 73 Authorized, and below maintenance level. The only significant change in the budget, he stated, was that they had transferred 61 man months from Research to Management. He said that there had been a slight decrease in the Dingall-Johnson funds this year; it had not increased 10% over the prior year as had been the case in years past.

Representative Tillion asked if this did not mean that there was no need to raise Fish and Game license fees. Mr. Andrews stated that over the last decade, the revenues from this source had increased about 10% annually; last year, however, there was only a 1% increase. The revenue has topped off at about \$115,000 annually; he said the division is very close to utilizing all of the Fish and Game fund.

Mr. Milton Barker, Fiscal Analyst, Legislative Finance Division, stated that he had worked up some estimates in conjunction with the Department of Fish and Game which indicated an approximate balance in the Fish and Game fund at the end of FY 74 of \$200,000; this estimate is based on an increase of approximately 33% in revenues from increased license fees.

Mr. Andrews said his statement regarding utilization of Fish and Game funds referred only to Sport Fish.

Mr. Andrews said he would recap for the committee what was proposed within the Research budget. In the Restoration program, there was a decrease due to completed programs. Last year 15 lakes were chemically rehabilitated, which is the greatest number of lakes rehabilitated to this time. The department proposes to rehabilitate 8 more lakes this year. The Research budget reflects the department's continuing interest in logging studies which are mainly in Southeastern Alaska, but will be undertaken in Kodiak as well this summer. He stated that there was \$3,000

SPORT
FISH
Research

in the Research budget for computer usage in connection with the Rainbow Trophy Fish study in the Illiamna drainage. He stated that the Susitna water storage is a major item, and that the division was going to take a "hard look" at the Karluk River.

Mr. Andrews stated that the North Slope studies were completed; they had been directed primarily along the route of the pipeline, and the division felt sure that there was sufficient guideline data for minimal impact. The monies allocated for this project will now be directed to the Westward where there are pressing problems with shefish, grayling and arctic char.

In answer to a question from Representative Freeman, Mr. Andrews said that the requested contingency fund was to take care of lost equipment items.

Chairman Haugen stated that there were 3 or 4 different logging studies in the Fish and Game budget; he asked what the total amount for these studies was. Mr. Rosier stated that Commercial Fish had a \$72,000 project which was 75/25 federally funded. Mr. Andrews stated that Sport Fish has a logging project which is funded at \$50,000. He pointed out that the objectives of the two divisions are different; Sport Fish is concerned with rearing species of fish. Deputy Commissioner Blum said that Habitat has an \$8,000 logging project which is 100% federally funded.

Mr. Andrews stated that the division is able to review logging operation plans prior to sales which allows the division to go in and point out where different practices can take place; the logging operation can in that way actually enhance the fishery habitat.

GAME

Chairman Haugen asked Mr. Frank Jones, Director, Division of Game, to outline his budget request for FY 74.

Personal
Services

Mr. Jones stated that his budget request is strictly a maintenance one; the FY 73 Authorized figure was \$2,650,400, and the FY 74 Request is \$2,741,700. He stated that there was a small increase in Personal Services (\$1,650,600 to \$1,693,600) because the authorized amount for FY 73 did not cover all permanent positions and still allow any money for temporary help during peak seasons.

Travel

Mr. Jones stated the FY 73 Authorized for Travel was \$174,300; the FY 74 Request is in the amount of \$230,800. Mr. Jones said the increase is due to increased travel costs and the fact that the department no longer owns its own aircraft.

GAME

Mr. Jones said the FY 73 Authorized amount in Contractual Services was \$671,600; the FY 74 Request is for \$661,700. There is an almost \$10,000 decrease in this code.

The other codes of the budget for Game had only slight increases; the entire budget for Game was a \$90,000 increase. Funding consists of \$840,800 Fish and Game funds and \$1,900,900 federal receipts.

Representative Specking entered the meeting at 8:35 p.m.

The committee discussed wolf studies; Mr. Jones stated the Division of Game had requested \$42,000 for a wolf study in FY 74, but it had been deleted. The FY 73 study is continuing.

Representative Barber asked if the moose range rehabilitation had been deleted; Commissioner Brooks replied that it had. The committee discussed the moose range rehabilitation which had been proposed for the Kenai Peninsula area.

Representative Gardiner left the meeting at 8:50 p.m.

Representative Laktonen asked if any attempt had been made to plant moose on Kodiak Island. Commissioner Brooks stated that an attempt had been made, but due to poor weather conditions it had failed.

FRED

Chairman Haugen asked Mr. Bob Roys, Director, Division of Fisheries Rehabilitation, Enhancement and Development, to run through his budget.

Mr. Roys said FY 73 was the first full year of operation for his division. He stated the FY 73 elements of his budget were as follows:

Anadromous	\$ 606,400
Development	89,200
Administration & Support	54,200
TOTAL	<u>\$ 749,800</u>

The Agency Request for FY 74 was in the amount of \$1,004,400, and did not include capital improvements; the Maintenance figure is \$856,800; and the Governor's Allowance was \$845,600.

Mr. Roys referred to the Capital Improvement budget (page 439 of the Budget Workbook); he stated the request of \$1,073,400 did not include the Bristol Bay program which had just been submitted to the Governor. The total cost of that will be approximately \$90,000.

ADJOURN

The meeting was adjourned at 9:05 p.m.

GEN

BUD

AFTER RECESS

9:00 a.m.

Present: All members.

The committee had been discussing HB 62 (see bill minutes). Chairman Hillstrand suggested that the committee consider their policy regarding budget revisions.

GENERAL
BUDGET

Mr. Hillstrand said that last year after the budget bill had been submitted the Administration continued to submit requests for additional funds. He said the committee should realize that the budget does change from day to day. He said, however, the committee should consider a cut-off date for revisions. This would be for revisions that were not absolutely essential.

Mr. Vernon elaborated on the problem that the legislature had faced last year. He said new pages were constantly be added to the budget that made work that had been done on the budget no longer relevant.

Mr. Hillstrand said that he thought they would have to have some flexibility. He cited a program which the Administration might wish to discontinue as an example. He said this would result in a savings and, of course, the legislature would not want to disallow this.

After a brief discussion, Mr. Ferguson moved for a cut-off date of February 22nd for the Administration to submit revisions or supplementals to the budget. He explained that this date will be the 45th day and should be about "half way down the road."

Mr. Warwick stated that the budget is a continuous process. He said he felt it would be wise to correspond with the Administration and request that everything be submitted as soon as possible. He said if they stop the Administration from submitting changes what might seem like a convenience could be an inconvenience in the long run.

Mr. Specking suggested having a recommended cut-off date rather than a flat statement. Mr. Freeman said he would like to see this stated in the form of a formal request. The Chairman then directed the staff to prepare a memo to the Chairman of the Governor's Budget Review Committee informing him that the committee had established the date of February 22 as being the approximate date when all programs will have been reviewed.

The Chairman requested that the staff report on the unencumbered balances as of June 30, 1972 to determine if the balances reported in the Budget Document Supplement are accurate.

Recess: The committee recessed at 11:35 a.m.

HOUSE FINANCE COMMITTEE
AFTER RECESS
9:00 a.m.

PRESENT: All members except Representative Ferguson.

GENERAL Chairman Hillstrand called the meeting to order and asked
BUDGET Mr. Hogan to begin his presentation on ways to study the
DIS- budget.
CUSSION

Mr. Hogan stated that he wanted to take a few minutes to ask for some information from the committee. He stated he would like to know on what date the committee would like to have the budget work complete. Chairman Hillstrand said they wanted to have everything in by the 22nd of next month.

Mr. Hogan said the next question was, "what do you want to do with the budget?" He stated that the answer to this question determines a lot of what must be done in sub-committee and by the full committee and how the budget will be approached. Chairman Hillstrand stated that they could begin by assuming that the committee wants to cut \$50 million out of the Governor's budget.

Mr. Hogan stated that the total general fund budget requested by the Governor is \$357.3; he said if you take out all of the Governor's capital improvements, you would cut that figure by \$6.1 million; if you take out all of the salary increases, you cut the figure by \$6.2 million; if you take out all new positions, you cut the figure by approximately \$8 million; this totals to \$20 million in cuts.

Mr. Hogan stated that another \$2 million could be cut by stopping the issuance of all bonds which passed in the recent election. He asked the committee where they would want to cut next, saying that what the staff needs is direction on where the committee wants to go into the budget. He said that it would take a good bit of research to cut in other areas.

Chairman Hillstrand asked how much the state was contributing to revenue sharing. Mr. Hogan stated it was slightly over \$7 million. Chairman Hillstrand stated that the municipalities might as well get used to reducing their appetites. Representative Freeman stated that his understanding of federal revenue sharing was that if there is a reduction in the state's portion, there will be a comparable reduction in the federal portion. Thus, any cut of \$1 by the state means a cut of \$2 to the cities. Mr. Hogan stated that the exact amount for revenue sharing was \$8.9 million.

GENERAL
BUDGET
DIS-
CUSSION

Chairman Hillstrand stated that the committee could consider cutting \$2 million from that figure. He then asked the committee to consider cutting \$5 million from the University of Alaska (Fairbanks and Anchorage campuses).

Representative Warwick stated that there were other ways to approach cutting the budget. He mentioned that the committee might consider going through the budget and cutting 10% out of all travel requests.

Mr. Hogan stated that would probably only result in a cut of several hundred thousand dollars. He said that the budget is predicated on a 5% inflation. The committee might consider using the President's guideline and allow only 2.5% for inflation.

Representative Haugen stated that he felt the major problems are in personal services and said he was concerned that the committee did not have more control over Executive Order 20's.

Chairman Hillstrand stated he did not believe the committee would overlook any area where expenditures could be reduced.

Representative Saylor asked if there was any way to determine the number of people traveling free of charge on the Marine Highway System. He mentioned a party of 12 which traveled to Haines during the past weekend. Chairman Hillstrand appointed Mr. Saylor, as a sub-committee of one, to look into the matter and report back to the committee.

Mr. Vernon commented that the departments of Education and Health and Social Services were the logical places to look when you want to cut general fund expenditures. Mr. Hogan added that the Foundation Program is the largest single state program.

Mr. Joshua Wright entered the meeting at 9:10.

Mr. Hogan continued his comments on the Foundation Program, stating that to cut in that area, the committee would simply have to pick an arbitrary figure and fund the contribution at that level. He said no analysis can be done, since the payment is based on a classroom figure. Chairman Hillstrand said that Mr. Ose would have to come up with that figure. Mr. Hogan stated that the amount in the Governor's budget for the Foundation Program was \$83.9 million.

Mr. Hogan said that the next area to try to reduce would be Family and Children's Services; the Governor is requesting \$26 million for that operation. Mr. Hogan said that in this case you would have to go more carefully, due to federal funding.

GENERAL
BUDGET
DIS-
CUSSION

Mr. Vernon commented that there are a number of areas not tied to federal funds within Health & Social Services; he cited as an example the General Relief Medical program.

Representative Warwick stated that the supplemental requests for FY 73 equaled the lapsed funds.

Mr. Hogan asked what the target figure for the University of Alaska would be. Chairman Hillstrand stated that the committee should reduce the request by \$5 million; he stated A.M.U. should be reduced \$1.1 million.

Representative Haugen asked how much trouble it would be to break out all the travel and contractual services for all agencies. He stated that the Finance Committee had had a breakdown of all consultant contracts last year; he was also interested in equipment purchases. He said that the Department of Fish and Game has used the same narrative for eight years and the committee had never obtained a property list.

Mr. Hogan said that in these terms, the amount would not be that high. The Fish and Game funds would not reduce General Fund expenditures.

Chairman Hillstrand said the committee could shoot for the \$50 million reduction and still make refinements in individual budgets. He asked if in the matter of the Scholarship Loan Fund, if the committee would be funding the fund or the forgiveness and could it be separated. Mr. Hogan said it would take a modification of the law to separate it.

Mr. Hogan stated that the next approach to reducing the budget would be to make reductions in individual state agencies. Chairman Hillstrand asked Mr. Hogan how the committee could get at the extravagances. Mr. Hogan stated that the committee should refer to the budget workbooks.

The committee discussed the possibility of writing a letter to all departments asking for a list of non-expendable equipment. It was the consensus that such a letter should be written. (See attached.)

Representative McVeigh entered the meeting at 9:30 a.m.

Representative Haugen stated he would also like to have a list of the consultants planned to be hired in '74 and hired in '73.

AT EASE

The committee had a brief "at ease" at 9:32 to allow Representative McVeigh to discuss a bill on the House calendar for that day.

GENERAL
BUDGET
DISCUSSION

Mr. Hogan referred to the Budget Supplement (page 28) and cited the agencies of the state making the largest appropriation requests. They included: Administration; Community and Regional Affairs; Education; Health and Social Services; Highways; Alaska Court System; Public Safety; Public Works; State-Operated Schools; the University of Alaska; and Revenue. He said that reductions in other agencies would not show as much substance as any made in the above list. He suggested the committee come up with a tentative percentage of reduction in the other agencies to give the subcommittees a target to shoot for. Mr. Hogan stated that if the committee reduced the budget by the \$35 million as discussed, by reducing the agency requests by 10%, you could pick up another \$30 million.

Chairman Hillstrand stated that the committee must consider if they really believe that across-the-board cuts are justifiable. Mr. Hogan said it can be used as a goal, and in those agencies where it can be applied, use it.

Mr. Hogan said this led to another point: this is the whole reasoning behind performance auditing which has not been done in this state because it is done at the direction of the Budget and Audit Committee, and they have not directed that any of these audits be performed. He said that the whole purpose of performance auditing is to find out what in fact is happening and if the state is getting its moneys worth.

Representative Haugen stated that in this year's Health and Social Services budget request, there are two or three new programs which are totally federally funded. He said his idea is going to be to drop them if after reading the law he finds that the state has to pick up portions of the federal share over the years.

Chairman Hillstrand asked what the staff would recommend in cases like this. Representative Barber stated he felt it had been taken care of last year with the provision that any time that federal funds are withdrawn, the positions are discontinued.

Joshua Wright stated that last year the committee found a number of programs that could "lock you in" if your weren't careful.

Mr. Vernon stated that there are some federal funds which are traditionally of this nature, such as LEAA funds. He said these are easily identifiable. He said that this is another area to consider--look at the type of federal funds you are dealing with.

GENERAL Representative Ose asked to be excused from the morning's
BUDGET floor work to continue working on the SOS supplemental
DISCUSSION request. Chairman Hillstrand agreed.

RECESS A recess was called at 9:50 a.m.



JUNEAU ALASKA

Alaska State Legislature

House

February 3, 1973

Honorable Joe Henri
Commissioner, Dept. of Administration
Pouch C
Juneau, Alaska

Dear Mr. Henri:

As an aid to our subcommittees in their review of assigned budgets, I am requesting a complete and accurate inventory listing showing all state equipment. This list should be broken out by department and appropriate organizational units within the department and should identify all types of equipment for which a property control number is assigned. Also included should be office equipment, heavy equipment, and machinery funded through any of the various working capital or capital project accounts.

Sincerely,

Earl D. Hillstrand
Chairman
House Finance Committee

*P.S. A resumé of your survey procedure
would also be appreciated.*

HOUSE FINANCE COMMITTEE

February 5, 1973

8:50 A.M.

Present: All members present with the exception of Representative Saylor.

HB 62 Chairman Hillstrand called the meeting to order, and noted HOUSE BILL NO. 62 (An Act making a supplemental appropriation to the Department of Public Works, marine transportation) was on the House calendar today. Rep. Barber would carry the bill on the floor, and Rep. Hillstrand felt the committee report expressed the committee's beliefs.

GENERAL Mr. Jack Baker, Supervisor, Division of Legislative Audit, BUDGET joined the meeting at 9:00 A.M. He advised the committee that the responsibility of the Audit Division is to take the Annual Financial Report and, on a selective basis, audit state agencies every three years. One-third of the agencies are covered every year and the audit offers an opinion on the statement covered in the Annual Financial Report.

Rep. Hillstrand said the Governor, in HOUSE BILL NO. 58, proposed to spend so much money. In the workbooks of the Finance Committee, an unencumbered balance is indicated as of July 1, 1973. The committee's concern was is this a true balance. Mr. Baker replied the first page of the Annual Report indicated a total fund balance of approximately \$900 million, with revenues of \$376 million, and the Audit Division can offer no opinion on that. Specific state agencies are searched, however, to be sure this money is collected. Referring to page 57, a figure of \$429 million is given as expenditures, and Mr. Baker stated this figure is accurate. On page 2, \$64 million is listed for Reserves and Encumbrances, and Mr. Baker said this figure could be manipulated. The figure is arrived at by adding the total figure of Continuing Program Balances and Encumbrances at Close of Year (page 57) for a total of \$263 million. It is estimated that approximately \$200 million will be funded by federal money, for a balance from the General Fund of approximately \$64 million.

Mr. Baker continued by stating if the Audit Division agrees with the agency's concept that programs are continuing, then funds are encumbered. Quite a bit of effort is made in the audit at the end of the year to ascertain whether agencies are spending merely to avoid lapsing any funds. Audit can only determine if authorizations are set up in accordance with the law. Referring to page 57, Audit will determine if Revisions, under Appropriations, Continuations Supplementals and Revisions, are set up in accordance with present law. Funds may be transferred from Budget & Management or they may come before the Budget & Audit Committee. The nebulous area is

encumbrances in continuing programs. The Audit Division has completed an audit of the Office of the Governor and bookkeeping errors account for about \$1.5 million. The report on the Office of the Governor has been released to the agency and the agency has thirty days to respond, although they usually respond before this. Health & Social Services is a nightmare, according to Mr. Baker. On page 48, encumbrances are listed at \$11 million, which Mr. Baker believes is overstated by about \$5 million. This agency has a tremendous problem due to Title 4 and Title 16 funds, and they are trying to straighten this out with the federal government. The lapsed balance probably should be cut \$5 to \$10 million. An audit will be completed, hopefully, this month, according to Mr. Baker. Most of the other agencies, Economic Development and Military Affairs, have stated their balances correctly. Audit is presently working on the Dept. of Public Safety also.

Rep. Hillstrand stated the committee wished to be reasonably certain that funds available in the General Fund are really available. By projecting draw-downs for the years to follow, the fund will run out of money in 1977. Rep. Hillstrand wished to be certain there is nothing in the figure of \$761 million that did not belong there (total fund balance of \$825 million less the \$64 million). Mr. Baker stated that up to the point where we get to reserves and encumbrances, it is an accurate figure. The \$64 million is a nebulous area and could be off by a couple of million dollars. Rep. Hillstrand said they are not worried about a difference of a couple of million dollars. Mr. Baker referred to page 58, the last column headed Funded by Federal and Other Monies, total \$208 million, and said this is purely an estimate by the state accountant. If this estimate is off, it could turn the total off.

Rep. Hillstrand noted projections are made on present revenues, and show a continuing pattern of over-expenditure. If figures are substantially correct, the fund will run out of money in 1977. Mr. Baker said he would venture to say the figures are essentially correct. However, due to the large fund balance, accountants can make errors of from \$5 to \$10 million in their projections, which could not be possible if there was only \$5 or \$10 million in the fund.

Mr. Baker continued by saying Audit would be happy to provide additional information to the committee, especially if they have specific questions regarding various departments on which an audit has been done. Rep. Haugen questioned ASHA and said his concern was with residual bond funds where \$10,000 to \$30,000 is left over. Mr. Baker replied ASHA is allowed to carry funds over to the next bond project if unexpended. Rep. Haugen noted the legislature never has any control in this area, and asked about G.O. bonds. Mr. Baker replied there have been several attempts to lapse this money, but it actually gives a little

slush fund to the agencies. Rep. Haugen said this comes to the legislature after the fact, and a current report should be provided instead. He had never seen anything lapsed, and an Executive Order 20 is used or any means possible to justify spending. He would prefer to see a current position report, along with the budget.

Rep. Hillstrand said his concern is with ear-marked funds, such as license funds, where the federal government determines how it should be spent. When funds are unencumbered, they should not be limited as to use. Mr. Baker agreed, and said the legislature has nothing to say about funds other than the General Fund. He added Sport Fish is an example.

Mr. Baker concluded his remarks by saying the Audit Division would like to see expressions of legislative intent and would pursue matters of special interest. They will follow up on any comments regarding same to the Budget & Audit Committee.

Recess: The committee recessed the meeting at 9:30 A.M.

HOUSE FINANCE COMMITTEE
AFTER RECESS
4:30 p.m.

PRESENT: All members except Representatives Saylor and Ferguson.

GENERAL BUDGET Chairman Hillstrand asked for direction from the committee regarding a letter to Governor Egan reiterating the request from the House and Senate Finance Committees for advice as to areas where budget cuts could be made. Chairman Groh had prepared the letter and asked that Chairman Hillstrand sign it with him; Chairman Hillstrand stated that he would not sign the letter unless the committee approved.

Representative Freeman stated he did not feel that the letter served any purpose; Representative Barber concurred in that opinion.

Representative Haugen expressed the concern that, by sending the letter, the committee might be obligated to wait for a response before reporting the budget.

Representative Specking stated that the letter did create a record of the committee's attempt to get the information from the Governor; he did not feel that it locked the committee into anything.

Chairman Hillstrand stated that he felt the letter was redundant, and he would be reluctant to sign it.

It was the consensus of the committee that the Chairman should not sign the letter, and it was returned to Senate Finance Chairman Groh unsigned.

RECESS The committee took a brief recess and then went into a discussion on bills.

HOUSE FINANCE COMMITTEE

March 17, 1973

4:00 p.m.

- PRESENT The meeting was called to order by Chairman Hillstrand; all members were present.
- HB 58 Representative Ferguson moved and asked unanimous consent that HOUSE BILL 58 ("An Act appropriating for the operating and capital expenses of state government; and providing for an effective date") be moved from committee with a "do pass" recommendation. There being no objection, it was so ordered.
- GENERAL BUDGET
- RECESS A recess was called at 4:15 p.m.

HOUSE FINANCE COMMITTEE
March 18, 1973
12:50 P.M.

All members present. Also present were Josh Wright and Joe LaRocca, news reporter.

GENERAL
BUDGET

Chairman Hillstrand called the meeting to order for a discussion of the budget.

Mr. Hillstrand moved and asked unanimous consent that the figures recommended by the Governor for the Department of Economic Development be accepted by the committee, except in the field of Promotion of Economic Enterprise. Rep. Warwick and Saylor objected. Discussion followed. Clarifying his motion, Rep. Hillstrand asked that the Promotion of Economic Enterprise be funded as follows: Personal Services \$270.6; Travel 15.0; Contractual Services \$59.2; Commodities \$1.8; Equipment \$1.5; Grants -0-; for a total of \$348.1. The Governor's recommended figures would be accepted for the other areas in the Department of Economic Development. Rep. Warwick withdrew his objection, and 7 members voted in favor of the motion.

Rep. Hillstrand noted two other areas which needed approval by the committee: \$250,000 in the Office of the Governor for the capital move study and \$400,000 for Legislative Affairs. He asked to take up the Legislative Affairs request first, and asked Mr. Hogan for an explanation.

Mr. Hogan said Legislative Affairs had sent up a revised budget request immediately following the election, as the new Council had reviewed the budget request and suggested changes. The finance committee was working with the short-form budget request and used the original figures instead of the revised ones. The committee discussed whether to open the budget to include this revision, and Rep. Hillstrand said the above three items could be taken care of in committee and the budget could be brought down as a closed document.

The committee discussed whether or not to include amendments in the budget bill.

Rep. Saylor moved and asked unanimous consent to include \$400,000 in Legislative Affairs for the studies requested. No objection, so ordered.

Rep. Saylor moved and asked unanimous consent to fund revenue sharing at 100% for \$9,900,000. Rep. Hillstrand objected and noted the committee had previously voted to fund revenue sharing at 92%. Rep. Freeman said the Speaker had indicated he would not vote for any budget that did not include 100% revenue sharing.

Rep. Hillstrand said the issue would be resolved in caucus and withdrew his objection. The motion passed to fund revenue sharing at 100%.

Rep. Barber moved and asked unanimous consent to include three gravel incubators at Cook Inlet: Big Lake, Kasilof River, and Kenai River, for a total of \$650,000. Rep. Hillstrand objected, and asked if it was agreeable to the committee to include a letter of intent indicating that streams benefiting from this be used not for sport fishing, but that incubators are installed for the benefit of commercial fishing. Rep. Saylor said absolutely not. Rep. Barber noted this would be a divisive issue between sport and commercial fishermen, and would not vote for this request. The committee discussed the issue. A vote was taken and Rep. Barber's motion failed, 3 in favor and 6 opposed.

Rep. Warwick moved and asked unanimous consent to include \$224,000 for fire fighting personnel requested in the Governor's budget. Rep. Hillstrand objected, and stated Reps. Warwick and Ferguson should take this up later. Rep. Warwick thought the committee should proceed on this matter, and the objection was withdrawn and motion carried.

Rep. Ferguson moved to include gravel incubators at Big Lake and one in the Interior; Big Lake for \$300,000 and the Interior for \$200,000. The motion passed by a vote of 5 to 3.

Rep. Freeman moved and asked unanimous consent to include in Waters & Harbors \$165,000; \$115,000 for harbors at Ketchikan and \$50,000 for Metlakatla. Rep. Specking objected. The motion carried by a vote of 5 to 3.

Rep. Warwick referred to the language at the end of the bill and noted this must be approved by the committee. He suggested new language for Section 13 (actually SB 13), which would be the same as the language in the House budget bill of last year, Section 14. The committee approved Secs. 9 (a) and (b), 10, and the new language for Section 13. The remaining sections (11, 12, 14, 15 and 16) will be taken up after recess.

Recess: The meeting recessed at 2:30 P.M.

HOUSE FINANCE COMMITTEE

March 19, 1973

8:45 A.M.

All members present. The committee reported two bills out of committee (see bill minutes).

GENERAL
BUDGET

The committee discussed amendments to the budget bill and Rep. Hillstrand said he wished to include \$400,000 for the Legislative Affairs Agency and 100% funding for revenue sharing. Rep. Specking moved and asked unanimous consent to amend the budget bill accordingly. Rep. Freeman objected, and asked why the committee should not include all the amendments passed by the committee the previous day. The committee discussed the problem, and voted to include all the amendments listed the previous day (see budget minutes of 3/18/73).

The meeting recessed at 9:00 A.M.

AFTER RECESS

1:05 p. m.

Present: All members present. Dr. Lind, Commissioner of the Dept. of Education; and Representatives Beirne, Laktoken, Fritz, Banfield and Orsini.

GENERAL
BUDGET

Chairman Hillstrand called the meeting to order and said the committee would hear testimony regarding a potential change to CSHB 58 (the budget bill). He requested that Rep. Beirne explain this potential change.

Rep. Beirne had distributed the attached sheet which noted the loss of Title IV and XVI funds to the cuts made in the budget. She explained that if the state's funding is increased it will result in additional federal funding (see attached). Rep. Beirne explained that she realized the committee is trying to present a fiscally responsible budget and because of this proposed that the ARTTC (Alaska Rural Teachers' Training Corp) be reduced. Rep. Beirne continued that she felt ARTTC is a worthwhile program but there would be other methods of providing for this program, i.e., BIA tuition grants and the state-supported scholarship loan program. In answer to Mr. Hillstrand, Mrs. Beirne said that next year the University plans to take over this entire program.

Mr. Ferguson questioned cutting the ARTTC program. Rep. Beirne listed each of the health and social services programs on the attached sheet. She explained that they are not talking about taking something away from one ethnic group but rather redistributing funds so all ethnic groups will be treated well. Discussion followed.

Mr. Warwick felt that the information provided by Commissioner McGinnis was in conflict with the information the committee had. Mr. Haugen requested that Mr. Vernon explain the cuts made by the committee.

Mr. Vernon explained that he had just briefly looked at the information prepared by Commissioner McGinnis. He said that evidently the assumption made was that all of the money cut by the committee represented a 75/25 match. This was not true in at least two cases. In program services, all the general fund money required for matching was left in the budget. Mr. Vernon said that Alcantra was shown in the budget books as a 50/50 match. The attached sheet notes that it is 75/25.

Mr. Bruce Brundt, U.S. Dept. of Health, Education and Welfare, Region X, appeared before the committee. He explained the history of Title IVA funds.

Mr. Brundt said that Rep. Beirne had contacted him about which programs in social services would qualify for Title IVA funding and he had directed her to Mr. Stan Harris of the Alaska Division of Family and Children Services. Mr. Harris had prepared the attached sheet. Mr. Brundt said if these programs are under Title IVA it was his understanding they would be available for 75% federal match. Discussion followed.

Rep. Beirne requested that the committee consider her request.

Recess: The meeting recessed at 2:00 p.m.

STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

POUCH H — JUNEAU 99801

March 19, 1973

The Honorable Helen Beirne
Chairman, House Health, Education
and Social Services Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99801

Dear Doctor Beirne:

Re: CSHB 58, Loss of Title IV and XVI
funds due to State fund cuts

As you requested today, the following is a list of Budget Request
Units in which Federal funds will be lost due to House Finance
Committee recommendations:

BRU	Governor's Allowance	House Finance Committee	Change	State Share	Federal Share
Program Services	4,055.5	3,554.5	501.0	125.2	375.8
Alcantra	500.1	342.0	158.1	39.5	118.6
Social Services	2,067.4	1,942.8	124.6	31.1	93.5
Administration and Support	1,325.9	1,188.8	137.1	52.1	85.0
Alcoholism	2,473.5	2,358.3	115.2	29.8	85.4
Totals			1,036.0	277.9	757.9

TOTAL LOSS OF FEDERAL FUNDS = \$757.9

FMG:SPH:jf

Sincerely,

Frederick McGinnis
-18- Frederick McGinnis
Commissioner

AFTER RECESS
3:10 P.M.

Chairman Hillstrand called the meeting to order and noted for the record that a quorum was present.

GENERAL
BUDGET

Rep. Warwick referred to the amendments drafted by the Finance Committee to CSHB 58 and noted item (d) should be deleted. This covered funding to Promotion of Economic Enterprise, which the committee thought could be handled from the Office of the Commissioner in the Department of Economic Development. Rep. Warwick moved and asked unanimous consent to delete Promotion of Economic Enterprise from the budget. Rep. Barber objected. A vote was taken and the motion passed 6 to 3.

Rep. Warwick stated that, according to previous testimony, Rep. Beirne would defend the finance committee's budget recommendation if funds were transferred from Alaska Rural Teaching Training Corps to other divisions within the Health & Social Services budget. Rep. Haugen moved and asked unanimous consent to transfer the requested items (see finance committee amendment to CSHB 58 for details). Rep. Ferguson objected. A vote was taken and the motion passed 6 to 3.

The committee agreed to correct the draft of the amendment as stated above, and carry this to the House floor as one package.

Adjourn: The meeting adjourned at 4:00 P.M.

E

D

HOUSE FINANCE COMMITTEE

February 8, 1973

8:40 a. m.

Present: All members except Representative Ferguson. Ms. Sue Green, Anchorage Borough School Board; and Mr. Bob Jacobs, Budget and Management, were also present.

GREATER
ANCHORAGE
AREA

BOROUGH said the committee would hear testimony from Ms. Green
SCHOOL regarding the school budget for the Greater Anchorage
BUDGET Area Borough.

Ms. Green had distributed two charts (Reference #29 - 1973-73 Tax Millage Rate Comparisons; and Reference #28 1973-74 Funding Support Comparisons) which are attached.

Ms. Green said that in listening to her testimony she would like the committee to keep in mind that their budget is not final -- there has been no decision whatsoever by the Board. They are working on what has been presented as a projection of a plan for next year.

Ms. Green spoke on Reference #28. She said that #1 in the left column there is no salary increases except for step increases and this amounts to about \$1 million.

Representative Ferguson entered the meeting.

Ms. Green said the middle level budget presented on the chart could justifiably be called an effort to take care of the needs they consider rather critical. Included in this level are some operational and maintenance levels, and some remodeling projects that have been postponed for several years. Ms. Green said if these projects are not done they will get to the point of demanding "doubly expensive work."

Ms. Green said that there are "many of these dollars which are not pure education dollars." She said there is about 11.6% to 12.1% in the general budget that can be adjusted. The rest is locked in.

FOUNDATION
ACT

Ms. Green said they are desperately encouraging some kind of increase in the Foundation Act.

She said they are opposed to having transportation under the Foundation Act. They feel this would end up being potentially unequitable.

Ms. Green said she had been asked to testify before the HWE Committee on legislation relating to the community school and year-round use of the school. She said they were in favor of this legislation but their top priority in education would be that the foundation support increase.

The Chairman thanked Ms. Green for her presentation.

In answer to Mr. Warwick, Ms. Green said their budget last year was \$46 million. Ms. Green said that the proposed \$57 million budget represents the opening of two new elementary schools and one junior-senior high complex. This also adds personnel to meet some of these changes as well as an increase in school nurses. This also increases some of the student activity support to bring some equity to boys' and girls' participation.

Mr. Warwick questioned column D which indicated \$22,000 for the per unit value. He said this represents closer to a 10% cost of living factor. Ms. Green said this was based on statistics provided by the Bureau of Labor Statistics. She said the \$22,000 was arrived at by using the maximum source; however, she was not clear on what the maximum source was and agreed to furnish this for the committee.

Mr. Warwick asked what would happen if the foundation unit was cut back 10%. Ms. Green said she could not predict what would happen but could tell the committee some of the alternatives. She said they could possibly cut out athletic programs, activity programs and kindergarten. Mr. Warwick pointed out that these were programs which were in existence before the foundation program. Ms. Green said she was basing this on the fact that in some districts where support had been cut in other areas of the country this is what had been cut.

Representative Ferguson left the meeting.

Mr. Warwick asked how far Anchorage would go on millage for local support. Ms. Green said she could not predict this but would have this information in a week or two. Mr. Warwick pointed out that education is close to one-third of the state's budget.

Mr. Freeman asked if there would be more pressure from the local level to hold things as tight as they could if they new any increase would have to come from them. Ms. Green said she did not feel that this held true. Mr. Freeman said that there may be a decrease in federal

funding. He said he would like to know just what the local level felt they would have to have.

Mr. Haugen referred to the \$22,000 per unit. He asked what this would mean in state support. Ms. Green said this would be \$37,917,000.

Mr. Saylor then questioned the state support involved in last year's budget of \$46 million. This was briefly discussed. Mr. Saylor pointed out that the Borough Assembly and School Board might approve an increased budget based on an increase in state support when, in fact, the state support may very well be decreased.

Mr. Ose referred to the 3 1/2 year graduation program in the high schools and the effect this has on the foundation program. Ms. Green said this does affect the program because they have to cut out the students who graduate during the middle of the year.

In answer to Mr. Barber, Ms. Green said within the next three weeks they will make their decisions on their budget and present it to the Borough Assembly. The Assembly then has 30 days in which to act. Ms. Green said she realized the budget process was backwards as they go through the process and they do not know until afterwards how much is coming from state support. Mr. Barber said then a final decision by the Finance Committee is not absolutely necessary by March 1. Ms. Green said yes, but it would be desirable.

Mr. Barber referred to a letter from Joe Montgomery, Superintendent of the Anchorage Borough School District. Ms. Green elaborated on this letter stating that the mini 874 funds were designed to assist the schools districts. If they are changed, it creates an inequity.

Mr. Freeman said that the Survey of Salaries and Benefits indicated that teachers' salaries have increased 17.5% per year. He asked if the salaries take this much of the budget can the state or district "catch up" with this. Ms. Green said her personal opinion was no. She said she felt there has to be a drastic change in salary schedules but this point of view was not in the majority.

Mr. Saylor requested information on percentages of increases of teachers' salaries for the last five years.

There was a brief discussion on the community school programs. In answer to Mr. Ose, Ms. Green said the community schools have no bearing on the foundation program.

The Chairman thanked Ms. Green for her testimony. She told the committee she would be back in Juneau on February 21 and would be glad to provide the committee any information they would like.

The Chairman summed up the requests that had been made during the meeting -- (1) the tax base increase and the end result that would have on the mill result; (2) the Board's reaction to the federal cut; (3) the Board's feelings if the per unit value is less than what they had thought it would be; and (4) statistics on pupil percentage increase within the district.


Recess: The meeting recessed at 9:40 a.m.

*now
7.56*

1973-74 FUNDING SUPPORT COMPARISONS

LOCAL - STATE FOUNDATION

No.	Total Operating Budget Plan	% Inc. 73-74 Over 72-73		A	B	C	D	E
			Foundation Units	1,930	1,930	1,930	1,930	1,930
			Per Unit Value	\$19,250	\$20,000	\$21,000	\$22,000	\$23,000
			Total Foundation Support	33,177,375	34,470,000	36,193,500	37,917,000	39,640,500
1.	\$57,340,559	22.9	Local Support Mills	22,438,660 9.96	21,146,035 9.60	19,422,535 9.14	17,699,035 8.67	15,975,535 8.20
2.	\$59,340,559	27.2	Local Support Mills	24,438,660 10.51	23,146,035 10.15	21,422,535 9.68	19,699,035 9.21	17,975,535 8.74
3.	\$61,340,559	31.5	Local Support Mills	26,438,660 11.05	25,146,035 10.70	23,422,535 10.23	21,699,035 9.76	19,975,535 9.29
4.	\$56,000,000	20.1	Local Support Mills	21,098,101 9.60	19,805,476 9.24	18,081,976 8.77	16,358,476 8.30	14,634,976 7.83
5.	\$55,000,000	17.9	Local Support Mills	20,098,101 9.32	18,805,476 8.97	17,081,976 8.50	15,358,476 8.03	13,634,976 7.56
6.	\$54,000,000	15.8	Local Support Mills	19,098,101 9.05	17,805,476 8.70	16,081,976 8.23	14,358,476 7.75	12,634,976 7.29
7.	\$53,000,000	13.6	Local Support Mills	18,098,101 8.78	16,805,476 8.43	15,081,976 7.96	13,358,476 7.49	
8.	\$52,000,000	11.5	Local Support Mills	17,098,101 8.50	15,805,476 8.15	14,081,976 7.68	12,358,476 7.21	
9.	\$51,000,000	9.3	Local Support Mills	16,098,101 8.23	14,805,476 7.88	13,081,976 7.41		
10.	\$50,000,000	7.2	Local Support Mills	15,098,101 7.96	13,805,476 7.61	12,081,976 7.14		

Reference # 

GREATER ANCHORAGE AREA BOROUGH SCHOOL DISTRICT

1-31-73

1972-73 TAX MILLAGE RATE COMPARISONS

	<u>Assessed Valuation</u>	<u>Rate Assessment</u>	<u>Total Mills</u>	<u>School Mills</u>	<u>Equated to 100%</u>		<u>Tax on \$40,000 Home</u>	
					<u>Mills</u>	<u>School Mills</u>	<u>Total</u>	<u>School</u>
Seattle School District	2,728,653,000	50%	45.10	20.98	22.55	10.49	902	420
Seattle Suburbs								
Highline School District	328,318,500	50%	59.00	35.78	29.50	17.89	1,180	716
Bellevue School District	378,524,700	50%	60.00	42.04	30.00	21.02	1,200	841
Federal Way School District	136,705,100	50%	67.00	43.61	33.50	21.81	1,340	872
Portland School District	4,288,067,000	100%			28.92	13.87	1,157	555
Sacramento School District	568,151,000	25%	140.24	56.17	35.06	14.77	1,402	591
Anchorage Average								
Spenard 15.53, Sand Lake 17.16, Muldoon 16.66, City 19.03	1,605,355,000	100%			17.35	7.56	694	302
<u>1973-74</u>								
Anchorage	1,834,000,000	100%			19.75	9.96	790	398

9-

HOUSE FINANCE COMMITTEE

February 26, 1973

9:00 a.m.

Present: All members except Representatives Specking, Ferguson, Saylor and Warwick. Mr. Bill Case, Manager of Funds and Facilities, Fairbanks; Hank Bryant, Superintendent, Elmendorf; Jack Hayward, Superintendent, Kenai; Ernest Presher, Superintendent, Ketchikan; Richard Leath, Superintendent, Nenana; W. D. Overstreet, Executive Secretary, School Board Association; Herman Hutchens, Superintendent, Valdez; D. W. Schultz, Superintendent, Petersburg; and Joe Montgomery, Superintendent, Anchorage, were also present.

SCHOOL Chairman Hillstrand called the meeting to order. He
SUPER- turned the presentation over to Mr. Ose for a discussion
INTENDENTS with the superintendents of various school districts
 throughout the state.

Mr. Joe Montgomery told the committee that he wished to reiterate the statement made by the Association of Alaska Superintendents last fall in urging the opposition of changing anything in transportation of students. They would like to see transportation handled as it is now.

Mr. Montgomery said they would like "mini 874 funds to not be changed yet."

HB 29 Mr. Montgomery said the major problem is in the instructional
SB 81 unit. He said they are in a trap - with no change in the
 instructional unit there continues to be an increased
 crunch on the local effort. He said that HB 29 (including
 cost-of-living factor in computing state aid under Public
 School Foundation Program) and SB 81 (same title) would
 "certainly alleviate to a large degree some of our problems."
Mr. Montgomery said that one of their primary recommendations
is to increase the instructional unit.

Mr. Montgomery said in Anchorage they are in the midst of concluding their negotiations with teachers for next year. The negotiations will be finished by next Tuesday. He said if these negotiations are agreed upon the financial bind on the school district is going to be tremendous in order to meet the contract. Mr. Montgomery said they will have no choice except to release teachers unless they receive additional funds.

Mr. Warwick entered the meeting.

- SB 114 Mr. Montgomery referred to SB 114 (state school building aid) and said they would find this "very palatable if it could be passed."
- HB 48 Mr. Montgomery said they feel that HB 48 (community schools) would provide an advantage to the communities.
- SB 69 Mr. Montgomery said they would like to see SB 69 "go" (this provides year-round school programs within local school districts).

Mr. Montgomery said they feel that the tenure bill is a step in the right direction. This and the early retirement legislation would give them assistance in clearing up some of the school personnel, he added.

Mr. Montgomery said that the state of finances of schools is "very critical." He said he was more concerned this year than he has been for the past 25 years. He added that the only way they could go into teacher negotiations was to take the pupil teacher ratio out of the contract.

Mr. Haugen asked if there had been any attempt to get part of the revenue sharing money from the local government. Mr. Montgomery said they are continuing to investigate any support available. Mr. Montgomery stated that because of the uncertainty of 874 monies their budget review committee suggested they cut this amount in half. He added that they are seriously considering not anticipating any 874 funds.

Dr. Lind and Mr. Nat Cole from the Department of Education entered the meeting.

Mr. Overstreet pointed out that in regard to federal revenue sharing there is a provision that it cannot be used for education.

Mr. Freeman then discussed the percentage of increase in teachers' salaries. Mr. Montgomery said they felt they have to be competitive with the rest of the state. He said they are just as concerned as the legislature about too rapid of an increase. Mr. Bill Case, Manager from Fairbanks said in their program in 1962 a teacher started at just under \$7,000. Now it is \$11,050 and this is about a 35% increase. He said it was his feeling that the salaries will level off.