

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2552 53

Representative Ose asked why the state pays \$59 per copy when the company sells their copies to private individuals for \$50 per copy. Mr. Boucher stated that when he mentioned the \$50 amount, he was generalizing because it is on a sliding scale, depending on the number of copies and pages. He added that prior to this new printing, this project was sent to Central Duplicating for printing.

Mr. Warwick pointed out to Mr. Boucher that there were five or six positions available in the Office of the Governor; would it be possible for one of those positions to be "loaned" to the Office of the Lieutenant Governor to fill the Administrative Assistant position. Mr. Boucher replied that he had "never asked" if that could be done. He then said that the second office in the state should have an Administrative Assistant and not a Clerk Typist and Secretary keeping up the Administrative Code. He then said that the reason he was before the Committee at this time was "because someone does not want the Lt. Governor's Office to have an Administrative Assistant".

Mr. Meekins then asked if the Administrative Code was comprised of regulations governing all state agencies. Mr. Boucher replied that that was correct. He added that all copies of the updated registers are distributed to all agencies and people owning copies of the Administrative Code.

Mr. Meekins then noted the funds requested for a Clerk III for three months and two Clerical Aides for three months to complete the task of checking all signatures on the three petitions received in that office. Mr. Boucher explained that he was not really sure how much time would be necessary to verify all signatures. But he felt that processing the three petitions would take the three positions requested. He stated that Mr. Jones had taken care of the whole petition matter during the last 90 days, and the office had to have part-time help to carry out regular clerical duties.

There being no further questions put to Mr. Boucher, Mr. Jones and Mr. Boucher left the meeting.

Representative McVeigh, Chairman, Legislative Council, entered the meeting at 9:00 a.m.

Rep. McVeigh attended the meeting to present further testimony on HB 480. Mr. McVeigh told the Committee that a newly published code had been distributed; he said the old Administrative Code was totally useless to most people using them, but now the publication is quite accessible to all concerned. He then stated that Mr. Boucher had told him of the need to hire someone to oversee the Administrative Code reprinting and updating. He stressed that it was better to have no Code at all rather than one that was out-dated, and the handling of the Administrative Code was one of the most important functions of the Lt. Governor's Office. Rep. McVeigh added that it was vital to many people throughout the state to have access to the Code; the Administrative Code is as important as the Alaska Statutes.

Rep. McVeigh told the Committee that now that there is a new format and system, and that the Administrative Code is now arranged in a logical order, he felt it foolish not to keep on with the new system and try to continue to improve it.

Rep. Freeman asked Representative McVeigh if he felt the Lt. Governor's Office was justified in requesting an Administrative Assistant. Rep. McVeigh replied that Mr. Boucher is entitled to having an A.A. on board, but the matter was a political one--"a political problem", in that some people in administration do not feel the Lt. Governor's Office is entitled to an Administrative Assistant. Rep. McVeigh stated that putting that "inhouse problem aside", he personally felt that if the Administrative Assistant had only the responsibility of taking care of the Administrative Code regulations and updating, the person would be earning his money.

Representative Barber then asked if the handling of the Administrative Code was most properly done in the Lt. Governor's Office rather than in the Legislative Affairs Agency or the Attorney General's Office.

Representative McVeigh stated that all agencies could do it; all three are involved. One man from the AG's office is responsible for helping draft the regulations for the departments. They get it ready for publication. Once the Code regulations are published, it is sent to Lt. Governor's office for filing as resolutions and bills. He then said that the Lt. Governor's Office may be the most appropriate to handle this function because he is the last man to get the regulations. (Rep. McVeigh then left the meeting.)

Representative Saylor then told the Committee that he would like to delete the costs of positions for counting petition signatures (\$5,694) and the Coordination of continued updates (\$7,500), and report the bill out of Committee.

Representative Freeman asked on what basis was the requested deletion made. Representative Saylor replied that his suggestion was made on the basis of private information.

Rep. Freeman told the Committee that he felt that the Lt. Governor's Office deserved an Administrative Assistant. Mr. Freeman pointed out that every chairman in the Legislature and every department in the state has an A.A. position if not two or three of them. Mr. Freeman stated that \$100,000 had already been put into the Administrative Code responsibility, and it seemed foolish to bail out of that project now. The requested position of Administrative Assistant would have a definite purpose to serve, and for the amount of money involved, Mr. Freeman did not think the request was unreasonable.

Rep. Warwick concurred with Rep. Freeman's views, as did Rep. Specking.

Rep. Warwick then moved and asked unanimous consent that HB 480 be reported from Committee with do pass.

Rep. Saylor's objected.

Rep. Saylor's stated that he would like to amend the motion to delete the costs of positions for counting petition signatures and for coordination of continued updates on the Administrative Code, a total of \$13,190. Therefore, the \$39,100 originally requested would be reduced to \$25,900.

Rep. Freeman stated that he thought that the positions requested to handle the petitions were essential. Rep. Saylor's countered that he had heard that the verification of signatures is handled in the AG's Office and not in the Lt. Governor's Office. Rep. Freeman pointed out that the proper place for this particular function is in the Lt. Governor's Office.

Rep. Specking called for the question, and the vote to amend the original motion to reduce the \$39,100 by \$13,190 was as follows:

Yeas: Haugen, Saylor's  
Nays: Freeman, Meekins, Warwick, Specking,  
Barber, Ose

And the motion failed 6:2.

Rep. Warwick's motion to move HB 480 from Committee carried and the Majority Report was signed as follows: recommending that it do pass--Reps. Freeman, Warwick, Haugen, Meekins, Specking, Barber; not concurring in the Majority Report was Rep. Saylor's who signed "do not pass unless amended".

And so, HB 480 was reported from Committee.

NEW BILL  
PROPOSAL

Alaska  
Resource  
Income  
Perm.  
Fund

Discussion then followed regarding Rep. Specking's proposal of a new bill entitled "establishing the Alaska Resources Income Permanent Fund". Rep. Specking explained that this would be established as a separate fund. Funds apportioned by statute for deposit in the permanent fund are to be held perpetually in trust for the benefit of both present and future generations of Alaska. Not less than 20% of the receipts paid the state from mineral lease bonuses for state land or royalties derived from mineral products on state land shall be deposited in the permanent fund.

Rep. Specking told the Committee that he would like the Committee to introduce this legislative measure. Rep. Freeman stated that he had no objection to it being a Finance Committee bill. Rep. Warwick asked if this might not take a constitutional amendment because you cannot dedicate funds. Every year the legislature will have to appropriate money for that fund. Rep. Specking then stated that it would then be necessary to have a resolution putting it on the ballot for a constitutional

General discussion then followed regarding the effective date of the bill, and the possibility of the legislature making additional appropriations to the fund.

Rep. Specking told the Committee that he would check further into the legal points of this proposed legislation and report back to the Committee.

GENERAL  
BUDGET

Rep. Freeman then called the Committee's attention to Rep. Haugen's request that the staff obtain a list of lapsed funds. Rep. Meekins requested that the lists include information from two and three years back.

Rep. Specking then asked if it were possible and might be valuable to have a complete summary of all unfilled positions. Rep. Barber wondered if unfilled positions aren't arbitrarily dropped. Mr. Barker replied that that was not necessarily so, and the Data Processing Coordinator was presently working on a list of unfilled positions.

Rep. Freeman then informed that Committee that the Data Processing people were ready to try more runs and wondered whether the Committee had any assumptions to run through on the run. Mr. Freeman said he had suggested Revised Programs.

Rep. Barber then asked if there was any computer control over the transfer of positions. Mr. Barker replied that he did not believe it possible to identify positions transferred. Rep. Barber said it could be competently handled if put in early enough.

HB 600

The next order of business was consideration of HB 600, an act making a special appropriation to the Office of the Governor (\$50,000) for the purpose of disseminating outside of Alaska written materials, advertising in media of all kinds and carrying out any other appropriate programs designed to give citizens throughout the United States a true picture of the employments possibilities in Alaska, especially as they relate to the trans-Alaska pipeline.

Rep. Meekins, sponsor of the bill, told the Committee that the appropriation bill he drafted is to save money. He said that a film could be made showing employment possibilities on the pipeline to discourage people that may wish to move to Alaska for that purpose. Mr. Meekins stated that many people in the rest of the nation are being laid off from jobs; this will result in an increase of people coming into the state seeking employment. This could result in a drain on social services, law and order; there would be an overcrowding of schools, etc.

Rep. Meekins told the Committee that persons enlisted to fend off those moving to the state by stationing themselves at airports are ineffective.

He then said that this would concern a \$150,000 appropriation.

He said that money can make over \$1 million worth of free time on television; in addition, small portions of such a documentary film could be taped and presented on nation-wide talk shows. Part of the \$150,000 would be used to disseminate that film.

Rep. Freeman told Rep. Meekins to assemble any witnesses to present testimony that he might choose; a meeting would then be scheduled.

Recess

There being no further business at this time, the meeting recessed at 9:45 a.m. The Committee would reconvene at 10:30 a.m.

HOUSE FINANCE COMMITTEE

February 22, 1974

8:30 a.m.

Present:

All members were present with the exception of Mr. Ferguson. Also present was Rep. McVeigh, Mr. Richard Kito, a Petersburg bar owner, Mrs. Helen Hamner, Chairman of the Board of the State Cabaret, Hotel and Restaurant Association, Mr. Doogan, of the ABC Board, and other interested persons.

HB 606

Chairman Freeman called the meeting to order and explained this was a hearing on HOUSE BILL NO. 606 (Relating to the issuance of restaurant liquor licenses) which was sponsored by Mr. Haugen.

Mr. Haugen said that the reason for introduction of this bill is that in Petersburg there are no restaurants in the town where a person can get a cocktail with dinner. What this bill would do is to provide a special liquor license for restaurants. This would not be the same as a standard liquor license. It would not be transferable. People would not be able to drink if they were not eating. He noted that he was approached to introduce this bill by several of the downtown businessmen in Petersburg. He said that the original bill had some problems in the way it was written and passed out a committee substitute which would solve some of those problems. He then asked Mr. McVeigh to testify.

Mr. McVeigh said that his law firm represents the Cabaret, Hotel and Restaurant Association (CHAR), and he wanted the committee to be aware of that to whatever extent it might prejudice his viewpoint. He went on, addressing his comments to the draft of the committee substitute rather than to the original bill. Noting the differences between the draft and the original bill, he said Sec. 1 is the same. Sec. 2 is essentially the same but on line 21 there was a slight change in the language without changing the meaning.

Sec. 3 is changed from the original bill to read "except that, if the governing body of a municipality finds that the public convenience and necessity requires the issuance of an additional license under sec. 50(b) of this chapter and so recommends by resolution, the board may issue that license, notwithstanding the provisions of (1) and (2) of this section;" the rest of sec. 3 is the same.

Mr. McVeigh said that the thrust of the bill is to have a license that would just permit the selling of hard liquor on the premises of a restaurant only. It is non transferable from the restaurant. He noted that most licenses can be sold and transferred without difficulty. This license would be issued to the premises. If

the restuarant ceased to be a restaurant, the license would become null and void. This bill is an attempt to get at the problem in Petersburg and some of the other small communities which have the maximum number of cocktail licenses they are allowed but have no dining rooms serving cocktails. It is not intended in anyway to compete with the cocktail licenses. He noted that in Alaska there are no taverns; beer and wine licenses in Alaska require that these beverages be served with food only. The problem in Alaska is that we are oversaturated with beverage dispensary licenses (cocktail licenses).

He said that he would hope to hear some suggestions on how to clarify what constitutes eating, as this could present some difficulties in enforcement of this bill.

The comment was made that the only kind of bill that will pass the legislature on this subject is going to be one which protects the cocktail licenses -- it will have to be very carefully tailored. There are some safeguards -- because the Board itself has to make the determination of whether or not the license is to be issued.

Mr. McVeigh requested the committee to hold the bill over and have another hearing on it.

Mrs. Helen Hamner introduced herself and spoke on behalf of the CHAR. She said that they are very concerned about this bill and vigorously oppose it. She said that she feels that beverage dispensary license holders have a large investment in those licenses and that those investments would be hurt by this kind of bill. She noted that by law a facility with 10 units for transients (a motel or hotel) can apply for a license (this number is upped for the various communities by the Board, but this is the statutory number). She said when people have wanted to open a bar they have gone through the channels as set up by the law and she does not feel that just because a small community is having a problem with this that the law should be changed thus affecting the entire state.

Mr. Warwick questioned the value to the public of having liquor licenses be so high; (this after some discussion on the phenomenally high prices liquor licenses are going for, some of the prices quoted being \$50,000, \$60,000 and above). He indicated that he had some real doubts about that and some genuine concern for the public being served and not just the license holders.

Mr. Kito spoke before the committee. He felt that if he could get the money he needed to rebuild his bar in Petersburg, which was displaced by the throughway recently built there, that he could provide food service. He indicated that he has been having considerable trouble and a lack of cooperation. Mr. Haugen said if that was what he wanted to do he would gladly support him. in

this effort. Mr. Haugen emphasized that he introduced this bill on request and he is interested in seeing the situation in Petersburg corrected but would not care how this was done.

The committee at this time set a future hearing date of March 4 at 1:30 p.m. to discuss this bill further.

Mr. Doogan of the ABC Board was invited to testify. Mr. Doogan said that the Board was adamantly opposed to the original bill and that that was what he had been prepared to speak on, so he was somewhat thrown by the submission of the committee substitute. After some brief discussion, the committee decided they would hold their debate until after the public hearing on March 4.

Meeting recessed at 9:50 a.m.

HOUSE FINANCE COMMITTEE  
Saturday, February 23, 1974  
8:40 a.m.

Present: Present were Messrs. Haugen, Barber, Warwick and Specking. Also present were Messrs. Rick Garnett and Tim Bradner, Mr. John Messenger of the Department of Law, and Mr. Joe La Rocca of the press.

Vice Chairman Ernie Haugen called the meeting to order in the absence of Mr. Freeman. He turned the meeting over to Mr. Warwick for the purposes of discussing legislation which Mr. Warwick is proposing that the Finance Committee sponsor. Mr. Warwick passed out copies of the proposed legislation and asked Mr. Garnett to speak on it. [Finance later did introduce and it became HB 750.]

EB750 Mr. Garnett said that during the special session a series of bills were passed acting as an agreement between the state and the oil industry on oil and gas regulation. One of these was a 20 mill property tax. AS 29.53.055 said that the limits of Secs. 45 or 50 did not apply, however, to taxes for paying off bonds.

This is similar to something that has been in the law since 1960, Mr. Garnett said. Ever since statehood, there has been provision that municipalities could not tax beyond 30 mills but that hasn't applied to taxing for bonds. This has not created any problems heretofore, but there is now indication that the North Slope Borough appears to believe that the limits apply only to taxes for current expenditures and that there is no limit to the rate of property tax to pay off bonds. He stated that it is not difficult to structure a budget so that the bulk of it is financed by bond payments. Obviously, this is of concern to the property owners on the Slope.

Explaining how this exception to the mill limitation came into being, Mr. Garnett said that after statehood Alaska was having some trouble with its bond rating, due to the fact that there was provision in the law at that time that a municipality could not tax beyond 30 mills "for any purpose." The language "for any purpose" was a problem to the bond market. They read into that that in no case could a municipality tax beyond 30 mills, including in the event of default. Therefore, the municipalities were a poor risk. For this reason, the provision was put in the statutes in 1960 stating that the limitation didn't apply on taxes to pay off bonds. This satisfied the bond market. However, lawmakers at that time did not realize that they had gone further than they needed to. It was not necessary to "take the lid completely off." All that was necessary was to provide that in the event of default or pending default, the limitation would not apply.

The Free Conference Committee this fall was concerned about this potential problem and put in a letter of intent (found on page 127 of the Special Session Senate Journal) which says:

It is the intent of the Committee that this section is not intended to expand local government's right to tax facilities covered by this act, but only to local government the right in case of default or pending default on bonds to exceed the limits in Sections 45 and 50 or AS 29.53.

Mr. Garnett further stated that this could become important to the state in terms of revenues, as well as to the industry, because now under the ad valorem tax, anything the industry pays is credited against what they owe the state. Thus, there is a direct state impact.

Mr. Garnett assured the committee that they have checked with bond counsel about the new language being proposed and it will not affect the bonds. He noted that if this matter should go to court, the results would probably be the same with this legislative intent as what they are trying to take care of with this proposed new language. However, it would certainly be simpler and cleaner to clear this up out of court.

Mr. Warwick asked what legal firm Mr. Garnett is with, and he said Ely, Guess and Ruddy. He explained that his firm represents CPS and he was here speaking on behalf of the property owners on the Slope. Mr. Warwick said the property owners will be paying a 20 mills tax to the state and wondered if they are afraid of the North Slope Borough going over that. Mr. Garnett said that this is their concern -- it could theoretically happen.

Mr. Warwick asked again about the possibility of new language having a negative effect on the bond market, and Mr. Garnett said that they have talked with an Ohio bond firm about this and the answer is no, it will not have a negative effect. The bond market looks at a municipality and questions whether it appears able to pay off its bonds within the scheduled time, and if it looks like it, the rate is the same as for GO bonds or any other unlimited tax bonds.

Mr. Garnett said that what they are trying to guard against is a situation allowing a municipality to issue bonds knowing that they cannot be paid without going over the mill limitation. This language is designed to prevent that.

In response to questioning by Mr. Warwick, Mr. Garnett said that the language in the proposed bill would give a taxpayer the right to enjoin the municipality from issuing bonds if there is evidence that the bonds could not be paid without exceeding the limit.

Mr. Specking asked if a taxpayer could bring action without that language. Mr. Garnett said that there is a lot of generally accepted doctrine about taxpayers rights being statutory that is not really grounded in fact. However, ultimately a Court would more than likely grant that right. However, he felt that it might as well be spelled out so that that kind of proceeding would not have to be gone through.

Mr. Warwick proposed that Monday the committee consider the introduction of this bill. At that time a full committee should be present.

There was a brief at ease while Messrs. Messenger, Bradner and Garnett left and the Fish and Game personnel arrived.

HOUSE FINANCE COMMITTEE  
February 25, 1974  
8:35 P.M.

PRESENT

All members of the Committee except Representatives Meekins and Ferguson. Mr. Joe LaRocca was also present.

Chairman Freeman called the meeting to order and said that Mr. Warwick had a proposed bill which he was interested in having the Committee sponsor. The Committee all had copies of the bill.

HB 750

Mr. Warwick moved that the Finance Committee introduce the proposed legislation which they had before them entitled "An Act relating to municipal property taxing powers". He explained that basically it relates to HB 1 on ad valorem which was passed during the Special Session. Accompanying it was a letter of intent which said almost the identical thing which this proposed bill says. There has been a problem arising in the North Slope. Apparently the North Slope Borough is ignoring the intent that accompanied the bill. In order to mandate it, it is necessary to put that language into the statutes.

There was no objection to introducing the bill. It was so ordered.

Mr. Freeman said that Mr. Specking also had a bill he was interested in having the Committee sponsor.

HB 747

Mr. Specking passed out copies of this proposed legislation, which was entitled "An Act establishing the Alaska resources income permanent fund". Attached to the bill was a copy of the Attorney General's opinion relating to the constitutional problem that doesn't exist with a fund of this nature. He noted there was an effective date of January 1, 1980 shown and they might want to change the date, and that perhaps the income into the fund could be greater than 20%. He thought that those were basically the objections he had heard indicated as regarded the bill.

[Mr. Meekins arrived at this time.]

Mr. Specking said he would like to have the Committee introduce the bill. In the absence of that, he would introduce it himself.

The Committee took a minute to read the bill over.

Mr. Barber said that his objection wasn't to putting the money into a fund, but to the possibility of putting it into the fund and having somebody else in a later session taking it out of the fund.

Mr. Specking believed that anything the legislature did could be undone. Mr. Barber said they couldn't touch the Fisherman's Fund or the Tobacco tax, and Mr. Specking pointed out that they had been grandfathered in at the time of statehood.

Mr. Barber said he wouldn't want to create a nice cash fund for the next Legislature to do something with.

Mr. Warwick said they might have the Committee introduce the bill, and then through deliberation determine what the problems will be. If the problems seem to be too great, they can fail to act on it.

Mr. Specking felt it was workable, but that it could be undone. However, he seriously doubted that another Legislature would undo it. He believed that going into a period of hopefully economic plenty, they wouldn't have a problem or having to squeeze out every nickle. He thought it boiled down to whether they thought they ought to hang onto a part of their bonuses.

Mr. Specking reminded them of what happened to the \$900 million. They had literally frittered it away on expensive state government and programs. They created a situation where it would be all used up. What this bill seeks to do is hold part of the money aside to continue to generate revenue on its own.

Mr. Meekins asked if he was talking about investing it in something, and Mr. Specking said yes.

Mr. Warwick noted that when an individual goes through life, at certain periods he earns more money than he does in the end. This is why retirement systems were devised. The State is going to be in a similar situation--for 20 to 30 years huge sums of money will be coming in, and then there will be a period when it comes to an end.

Mr. Jay Hogan, Director of Legislative Finance, said there was an interesting history on this kind of funding, one that Alaska is not a part of because it came into the Union as a State so late. Practically all of the Western States have a permanent fund. (Alaska does because of federal land grants designated for specific purposes.) New Mexico has had one since 1912 and over the years has amassed a total of \$475,000,000 which is the value of their permanent fund. The fund was a requirement placed upon them by their Statehood Act. That is where the concept came from. The idea is that the income from it would always provide at least a portion of support for government.

Mr. Haugen said it was something they tried to do when they first got the \$900 million. He personally recommended they introduce the bill, and if they felt it needed improvement they could work on it when it was referred back.

Mr. Specking moved and asked unanimous consent that the Finance Committees introduce the bill. There was no objection, and it was so ordered.

489  
Mr. Freeman brought HOUSE BILL NO. 489 (Supplemental Appropriation to the Department of Health and Social Services for general relief medical) up for discussion. He noted that the following people were present from the Department of Health and Social Services: Mr. Larry Sullivan, Director of the Division of Medical Assistance; Mr. Jim McClain, Acting Deputy Commissioner. Budget and Management was also represented.

Mr. Sullivan told the Committee that information had been transmitted to them indicating recommendations that the Division of Medical Assistance has for handling the Program as it stands and indicating constraints they have made. He said the question was whether or not the State had the obligation to care for indigent people. The program has been in existence for a long period of time. It is a supplemental program which handles people who do not qualify for the MEDICAID Program.

He explained that General Relief Medical people are high risk people usually 22 or 23 years old and out of work. They are the people who smash up a car and are in need of medical attention. This past year 13 people were taken care of at a cost of over \$130,000 for medical treatment. This is the area which covers either catastrophic illnesses or accidents for people who are not covered under any other program and have little or no income. The cost is much higher per person than in the other programs.

Mr. Freeman asked whether they remembered HB 314 from last year. Mr. Sullivan did remember, and said that it related to intermediate nursing homes. He said this applied under Title XIX and not under General Relief Medical.

Mr. Wright asked what happened if the person who smashed up his car needed to be in intermediate care. Mr. Sullivan said that he would then probably get under the relief of disabled.

Mr. Wright asked about the possibility of the local hospitals picking up the cost of those who didn't come under the other categorical programs. Mr. Sullivan said that they should probably go to the hospitals and ask them to pick this type of case up as a charity case. However, he said that still wouldn't take care of the doctor's bill.

Mr. Sullivan said that what they were saying in their report is that as of last Friday they have received over \$500,000 worth of prior year bills submitted since July 1, 1973. So, there is no way they can put a handle on services rendered by physicians until they bill them. The point is they are getting bills now for services rendered in January and February of last year. He said they had also had \$800,000 worth of MEDICAID bills during the same period.

Mr. Sullivan said that in FY 72 they expended \$3.2 million. There is a \$1 million difference between expenditures in FY 74 and FY 72.

Mr. Freeman said they would recall that last year he was responsible for chopping \$492,000 out of the budget. He had a particular interest in what had been HB 314 because it made nursing home care one of the eight mandatory services under Title 19. It was his understanding at the time that the \$378,000 saving could be used to offset the cut of \$492,400. He said that Mr. McGinnis had assured him this would happen, and so in a way he had been trying to save the State money by offsetting the money he had cut out. He asked if this hadn't been the case.

Mr. Sullivan said he couldn't answer for what the Commissioner told him. He said that particular bill had effected Title XIX and not the General Relief Medical Program.

Mr. Freeman said that he had thought that by enlarging the categories, they would be moving one out of General Relief Medical and into MEDICAID. Mr. Sullivan said no. He explained that the federal legislation says if it was not an appropriate level of care there would be no federal participation in the cost of care. He said there had been people in the skilled nursing home that had been under General Relief Medical prior to Title XIX who did not require skilled nursing care. They had asked that intermediate care facilities be picked up so they could move these people out of skilled nursing care and into intermediate care. This only applies to people in nursing care.

Mr. Freeman asked what it meant when it said "further savings to the State of \$378,100. Mr. Sullivan replied it meant they were paying the rate of \$28 for skilled nursing care, and by putting the patient into intermediate care they reduced the per diem rate, He said there was about \$9 difference from skilled nursing to intermediate nursing care.

Mr. Freeman commented that the reduction was in the rate and not in who paid for it.

Mr. Sullivan said that Federal government would participate in the program. If these people had been left in skilled nursing care, when audited by the Federal government, the State would not have been paid for it, so there was a \$4.50 saving to the State on each bed for each person.

He went on to say that if you were in a nursing home on medical relief and you were determined not to require further services under skilled nursing care, under Title XIX you could be moved into intermediate care and then the Federal government would participate for 50% of the cost of care. If they were to remain under skilled nursing care, the federal government would not participate.

Mr. Freeman asked how much money had been saved. Mr. Sullivan replied about \$300,000 was saved under Title XIX. He said that prior to 1972 the whole cost was born by the State.

Title XIX did increase our participation in the cash assistance program. When the Legislature passed the law they left the existing General Relief Medical program in to pick up persons who "fell between the cracks". It takes care of people who meet the financial eligibility, but not the age requirement. He said there were also cases of catastrophic illnesses. For example, he told of a man who came in to ask for assistance for his wife to have a kidney transplant. He was working, but he needed \$14,000 for the operation. They had said yes, but the wife had died before she had the operation. However, this is the sort of thing they have to deal with-- if they say no, there are dire consequences to the patient, and if they say yes, there are dire consequences to their budget.

Mr. McLaen said that the impact on General Relief Medical was that if they hadn't picked up intermediate care nursing, the people would have had to be picked up on General Relief Medical. Before they were appropriated \$3.2 million and now they are budgeted at \$2.2 million, so they dropped \$1 million from that year to this.

Mr. Freeman said then that if this bill hadn't become law, their budget would actually have been about \$3,000 short. He asked why, if they had known all this, they had been so late getting HB 314 under the wire. Mr. Sullivan didn't know when it was submitted. He added that when they spoke of the budget they should realize the fact that they had already been cut to \$2.7 million. They had asked more than that. Mr. Freeman still didn't understand.

Mr. Specking thought it should be mentioned that the bulk of their work wasn't for such dramatic cases, where the person was going to die. Mr. Sullivan said that what he had been trying to point out was that these dramatic cases do occur. He went on to say that their cost per patient is \$110 higher than the care they are paying for under MEDICAID, and they even have the same type of fee restrictions. The thing is that the type of illnesses and accidents that occur are different than what happen to the other people.

Mr. Saylor's was concerned because it seemed that when the check book got low, they just kept writing checks. Mr. Sullivan could understand but said that historically, the Legislature had granted supplemental increases. His concern was that if there was no more money and a person came in needing open heart surgery or something comparable, could he in good faith say no. Mr. Saylor's thought so. Mr. Sullivan said if that was the instruction of this Committee, they would do so.

Mr. Saylor's noted that "emergency only situations" was a suggestion they gave to cut the program back. He asked if he felt they could live within the budget. Mr. Sullivan said it was his personal opinion to put the program back next year as emergency only.

Mr. Saylor asked if he had talked with the Commissioner. Mr. Sullivan said they had been talking over a long period of time. He said they had to rely on the budget they are given. He repeated that it was the history of the program long before Title XIX that if they overexpended they came in for a supplemental.

Mr. McLain said that in his experience with the Department, it was his opinion that during this year there had been more control exercised over General Relief Medical than in any previous year. With the implementation of Title XIX they were able to bring some of those controls into GR-Med. They have used the same type of reimbursement policy for doctors as under Title XIX, so there has been some reduction in the payment levels. They also exercised some control over some of the services that would be required in the GR-Med program. They controlled the services to be required and the price for those services. This is the first time they have had those types of controls. The only option left would be to make some reduction in the number of people eligible. Essentially, eligibility is based on an income of no more than \$250 per month. (That is other than catastrophic illnesses.)

Mr. Saylor said to assume for a moment that they have accepted his alternative. He wanted to know if the \$492,000 supplemental appropriation would cover that.

Mr. Sullivan replied they were saying that instituting the restrictions they would put on the program, plus being able to charge off some to the Pipeline Budget, they would probably end up with a deficit of \$58,000-\$68,000. He said they have already restricted the program. When a person applies, they fill out a certification of income. They don't mail coupons out as they do under Title XIX. Each time they have to come in and get coupons for a specific thing. He added they have talked to Family and Children's Services and told them that when they interview clients for GR-Med. they will type PLI on the coupons for people that came to the State because of Pipeline Impact. He said they anticipated \$25,000 on those for the rest of the Fiscal Year.

Mr. Saylor wanted to know if they had served 13 people out of 25-26, and was told that was right.

Mr. Barber asked what type of public reaction they expected when they started turning away all but emergency cases. Mr. Sullivan was sure there would be a tremendous public reaction to cutting back any program such as this.

Mr. Sullivan said they would have to specify an emergency as something that wouldn't put a man's life in jeopardy.

Mr. Specking asked how much they would need if they had to pay off now to institutions that have provided care up until the 1st of March.

Mr. Sullivan replied that if they got the \$550,000 supplemental, that by curtailing the program they have outlined they would be able to take care of it.

Mr. Specking asked how far back payments to the institutions went. Mr. Sullivan said they were current with them. The last check he made was about two weeks ago, and the actual time elapsed was 11 days.

Mr. Warwick said he was confused by HB 314. Mr. Sullivan said that he had to realize it was submitted after they had submitted the Program. Because of federal regulations, they had to put intermediate care facilities in. Prior to 1972 they were providing skilled nursing home care, not intermediate care. Before 1972, they paid it out of the GR-Med fund.

Mr. Warwick thought it should save money in GR-Med. Mr. Sullivan said that they did last year. He explained that the initial request had been over \$3,000,000. It had been reduced by the Governor to \$2,700,000 and the Legislature had reduced it further. So, any savings would not be applicable to this program now.

Mr. Warwick asked about the \$1.5 million for Eagle River. Mr. McLain said that if it was decided not to be needed by the Division of Corrections, it would lapse. He said a large part of the money was Personal Service money, so they couldn't move out of that line item because there were restriction on it. It has to lapse if it isn't used for Personal Services. That was a restriction imposed by Budget and Management, and he didn't know where it originated.

Mr. Warwick asked if any money had been spent on that institution. Mr. McLain said they had spent some money for equipment and there were some people on board.

Mr. Warwick asked when it would open, and Mr. McLain said somewhere around June.

Mr. Warwick said that meant they would lapse substantially all of that money. Mr. McLain said right, unless that money is used for other purposes in the Division of Corrections.

RECESS

Meeting recessed at 9:55 P.M.

AFTER RECESS  
10:40 P.M.

PRESENT

All members of the Committee except Mr. Meekins and Mr. Ferguson. The following people were present from the Dept. of Health and Social Services: Mr. Frederick McGinnis, Commissioner; Mr. James McLain, Administrative Officer and Acting Deputy Commissioner; Mr. Larry Sullivan, Director of Medical Assistance. Budget and Management was represented.

HB 489

Chairman Freeman called the meeting back to order and said they would continue discussion of HB 489.

A packet of papers from Commissioner McGinnis dated today was passed out to the Committee.

Mr. Warwick thought the packet was helpful to understanding the various programs. He referred to page 2 which said the minimum monthly income. He had been under the impression that there was no criteria as to maximum monthly income.

Mr. Sullivan explained that was true for a medical exception only. A person not eligible for GR-Med can petition the State due to catastrophic medical conditions.

Mr. Warwick asked if they had established an income limit by statute. Mr. McLain said there was no limitation on GR-Med. He pointed out there was less than about one sentence that applied to the whole program in the Statute.

Mr. Warwick asked what their projections were for the current fiscal year under MEDICAID. Mr. McLain said they were doing some new studies based on the caseloads coming in trying to see whether or not they will be able to perform within the constraints that should be furnished. He said they would be ready prior to the time the report was due, a complete analysis of the MEDICAID program. He was sure there will not be enough to carry through because the Legislature had removed about \$.75 million from their budget.

Mr. McGinnis said he had been told there had been a question earlier about the \$370,000 savings to the State if intermediate care facilities were enacted. He thought it a marvelous question, but said there was a great answer. He said that while the House Finance Committee did allow the full amount in General Relief Med, the Senate Finance Committee took money from it. If they could have had the Senate figure as applied to MEDICAID and the House figure as applied to GR-Med, they would have been alright. However, they ended up getting a tremendous cut in the two line items.

Mr. Warwick asked if they were going to have a supplemental for

MEDICAID. Mr. McGinnis said they may have to. He said that the last two years they have lapsed quite a bit of money department-wise and in the field of medical assistance. It appears this year that they will either have to do something substantial to reduce the MEDICAID program or there will need to be some more money. He said they would know within a week or so.

Mr. Warwick said that it had been indicated earlier that GR-Med even with a supplemental would be short. Mr. McGinnis said they have stated that if they were to implement their cuts in services as outlined in the report and if they got \$492,000 additional in the form of a supplemental, and if they were able to charge some of the money against the Pipeline Impact Budget, then there would probably be a \$58,000-\$67,000 deficit. He said they were suggesting here that a \$550,000 supplemental appropriation is a minimal request.

Mr. McGinnis reiterated that in the past they have had sufficient amounts in the budget to carry over slight differences. It looks like they won't have that in FY 74. He said he could give them information on FY 72 and FY 73 where they had some flexibility. There is not that kind of money this year.

Mr. Warwick asked about the pipeline impact budget.

Mr. McGinnis said there was a bill for \$500,000 for that. It was his understanding that the language in the bill made the effective date almost immediately. Thus, if they can itemize Pipeline Impact People, that could be used for them on GR-Med through June 30, 1975.

Mr. Warwick said they really needed about \$850,000 then.

Mr. Specking asked if the Pipeline Impact budget was looked upon as a supplemental thing too. Mr. McGinnis said it was a supplemental bill submitted by the Governor.

Mr. Sullivan said if they were not to curtail the program, they would need \$825,000-\$834,000. If they cut the program they would need approximately \$550,000.

Mr. Sullivan referred to Mr. Wright's question about the possibility of having hospitals pick up charity care. He said it was a possibility, but of all of the hospitals in the State, Providence Hospital in Anchorage would be the only one that could do it without causing a financial burden. In Southeast, the hospitals have 40-60% utilization. He said that the Legislature last year put in revenue sharing to help the impact on these hospitals, and if the hospitals were to pick up the cost of free medical care, this would impact on their financial status.

Mr. McGinnis said that the hospitals had three options under federal

law: 1) they could sign a statement to the effect they would give an amount equal to a percentage of their budget in free care; 2) they could sign a statement saying they would give an amount of money for free care that was different from what they took in; or 3) they could just sign a statement stating they wouldn't turn away anyone by virtue of not being able to pay. He said all of the hospitals in Alaska chose the third option.

Mr. Specking said then that in fact HB 489 was only a partial supplemental because it took another supplemental to take care of it.

Mr. Freeman commented that the eligibility criteria for assistance under GR-Med was not set by statute. Mr. McGinnis referred him to AS 47.25.130 and read the reference to GR-Med. Mr. Freeman said that what it boiled down to was that the Department made the determination.

Mr. Freeman noticed they had spent 60% of their budget in half the time. He asked if it wouldn't have been more palatable to the Legislature if they had changed the formula when they realized there was only enough money to cover 90% of their program.

Mr. McGinnis said that technically and logically it would seem to be. That doesn't take into consideration that with the exception of the last two years the Legislature has made supplemental appropriations to keep within the standards of the program. He pointed out that some of these individuals would have virtually no money and no resources to pay bills, so it would be tantamount to cutting out medical treatment.

Mr. Freeman realized the problem, but thought they should have made some attempt to hold-the-line. Mr. McGinnis said they have attempted to cut it down to where it is now. He said the question has arisen as to what the Legislature really wants the public policy to be.

Mr. McGinnis referred to the list of 14 steps which they have taken to cut the program down. (The members all had copies.) He went through the list with the Committee.

Mr. Sullivan said that the list was instituted with the idea that GR-Med was a problem area, and they were trying to be as fiscally responsible as they could be to the State.

Mr. Freeman wanted to know which of the constraints had been done this year. Mr. Sullivan said that probably 10 out of the 14 were instituted this year.

Mr. Haugen thought there used to be a law that bills had to be submitted within 30 days after services had been rendered. Mr. McLain said that the statutes now provide a limit of up to two years after

services had been rendered.

Mr. Warwick asked the steps involved in a person receiving benefits under this program. Mr. Sullivan said he could go to the District Office of Family and Children's Services and if he met the income guides that applied, and if he wasn't eligible for any of the other categories, he would be issued a coupon saying he was eligible for the following complaint.

Mr. Warwick asked why he couldn't go to the clinic first and charge it. Mr. Sullivan said that if he did that, they couldn't pay for it. He said that if a clinic thought a person couldn't pay, they would refer him to Family and Children's Services.

Mr. Warwick asked whether they ever authorized anybody after the fact. Mr. Sullivan said they did in the case of an accident when, for example a person was unconscious or in immediate danger. He said that the person had to be authorized within, he thought, 24 hours after he had come in.

There was further discussion of different cases.

They went on to discuss the Pipeline Impact supplemental. They thought their cases would triple because of pipeline impact. Mr. Warwick asked if they thought \$500,000 adequate. Mr. Sullivan said that if it were available they would use between \$25,000 and \$75,000 this year. The remainder would run out on July 1, 1975.

Mr. McGinnis said they would like to confer with the Governor's Office to see if he would concur in their additional supplemental request. Mr. Warwick asked if they would like the Committee to sit on the supplemental until they had conferred. Mr. McGinnis said yes.

The Commissioner went on to say they have encumbered about \$300,000 for cost settling. If they didn't need it all, their supplemental need would be less. However, it came out that they wouldn't have that information for three or four months.

Mr. McGinnis explained that services rendered to hospitals were subject to a cost settling rate that they pay. The cost settling is under MEDICAID law, but they have applied it to GR-Med as well.

Mr. Saylor asked if Mr. McGinnis thought it would be advantageous for them to take action and include the supplemental at \$550,000. Mr. McGinnis said it would be, if they made the distinction between what was needed and what the Department was directly asking for.

Mr. McGinnis announced that the money they had requested last year to assist with hospital construction was no longer needed. They had heard today that the FY 73 money will be released by the Federal government.

RECESS

Meeting recessed at 11:50 P.M.

HOUSE FINANCE COMMITTEE  
February 26, 1974  
8:30 a.m.

All members were present with the exception of Representatives Ferguson and Saylor. Also present were Mr. Don Argetsinger of Community and Regional Affairs, and Representative Chuck Degnan.

Chairman Freeman called the meeting to order. He said that the committee was taking up HOUSE BILL 157 (State Aid to Local Governments) for consideration.

The Chairman invited Mr. Degnan, one of the bill's sponsors, to testify on the bill. Mr. Degnan said that he introduced HB 157 because of a problem of the cost of living in Alaska. The state has wrestled with this problem for quite some time and he said that the difficulty is recognized in certain areas, for example in salaries. One of the basic reasons for the vast difference in cost of living in Alaska is the lack of an integrated transportation system combined with the lack of a reliable communications system.

In trying to develop a bill which would modify some of these differences, Mr. Degnan said that he relied on an Administration study. The differences in areas in Alaska range from 3.8% over the base to 39.3% over the base. The districts used in this study are election districts under the reapportionment map of 1965. The idea of this bill is to give communities significantly over the base more buying power equity.

Mr. Warwick asked Mr. Degnan if he is familiar with the committee substitute. Mr. Degnan said yes, and that the basic principle behind it is the same as the original bill. He said that he is interested in getting the basic concept enacted into law. The committee substitute says in effect the same thing but it gives the legislature more flexibility in determining what the cost of living factor will be.

Mr. Warwick asked how the cost of living factor is figured in the committee substitute. Mr. Argetsinger said that it makes reference to the salary index prepared each December rather than a fixed schedule as in the original bill. His department, Community and Regional Affairs, prefers the index being set by statute rather than being up for review yearly. What index would be used would be up to the legislature, but the method as proposed in the original bill of having a set index is preferable to the department who feels it would be more easily administered.

Mr. Haugen asked if what is being talked about here is revenue sharing for hospitals and such facilities. Mr. Degnan said yes.

2/26/74

Mr. Degnan said that now revenue sharing and other kinds of state aid are figured the same whether they are going to a base district or a high cost district, and this bill is an attempt to correct this situation, providing equal buying power to the districts. He noted that since there are few people living in the high cost areas, the cost of this wouldn't be so high as might be feared.

Mr. Warwick noted that the buying power in Fairbanks is lower than in Anchorage, but becomes even more accentuated in the outlying areas.

Mr. Specking suggested that one way to handle this would be to take the highest cost area as 100% and fund down from there. Mr. Warwick said that under that approach it would be easier to fund at 100% and communities would know what they can expect to get, since revenue sharing isn't ever funded fully anyway.

[Mr. Saylor entered the meeting.]

Mr. Haugen asked how many city owned hospitals there are in the bush. It was his recollection that Nome was the only one in the whole district and that Kotzebue and Bethel have public health hospitals. Mr. Degnan said that is right.

Mr. Degnan said that he has broached this differential problem with the Congressional delegation, and said that Senator Steven's response was that when the state doesn't do this with its programs, how can we convince the federal government to do it for Alaska. Mr. Degnan felt that this would set a good precedent for the federal government.

Mr. Degnan left at this time and there was a brief at ease while members of the Alaska Visitors Association seated themselves before the committee.

2/26/74

HOUSE FINANCE COMMITTEE  
February 27, 1974  
8:50 P.M.

PRESENT

All members of the Committee except Mr. Meekins, Mr. Warwick, and Mr. Ferguson. Rep. Wilson was also present.

HB 425

Chairman Freeman called the meeting to order and said that HOUSE BILL NO. 425 (Special Appropriation to the Department of Highways for Knik Arm Crossing) had been scheduled for discussion. However, Commissioner Campbell was out of town, and he wanted to know the Committee's feeling in regard to postponing the bill.

Mr. Barber felt the whole Committee should be present when they brought the bill up. It was decided to hold off and reschedule the bill.

Mr. Freeman turned the Chair over to Mr. Haugen, and left the meeting to do some checking on HB 171.

HB 530

Mr. Haugen said that the next matter scheduled for discussion was HOUSE BILL NO. 530 (Special appropriation to the state-operated school system). He asked Mr. Wilson, who was present to testify on the bill, to explain it to the Committee.

Mr. Wilson passed out a detailed breakdown of what they need to finish the Tok school. He said he didn't have a detailed breakdown for the Healey school, but he explained that it had a new gymnasium which was completed except that they ran out of money before they got bleachers and a time clock. The School Board had given him the figures for what they needed there. They had said they could get bleachers for \$18,000 plus freight, and the score clock would cost about \$4,500.

The Tok list was pretty well itemized. The building was completed last summer. They had had an allocation of \$17,000 to equip those facilities, but there hadn't been enough money for a clock and bell system. The school is getting large and they can't afford to have a different time in each room, especially in a high school where it causes trouble in scheduling classes. They also wanted an intercomb system to go into every room.

Mr. Wilson went on to say he didn't know exactly what the cost at Healey would be because he didn't know the freight. He said the people there say they can install the bleachers and the clock so there wouldn't be extra installation cost.

Mr. Ose said that it was his experience that portable seating ran \$400 to seat 100 students and the shipping cost was around \$100. He also said that in regard to the score clock, the company would install it or recommend somebody to do it, otherwise they wouldn't be able to guarantee it. He also questioned the need for an intercomb system. He had found it to be more disruptive to class routine than beneficial.

Mr. Wilson admitted he hadn't looked into the figures on the bleachers, he had just taken the School Board's word for it.

Mr. Wilson added that there had been some misunderstanding between the School Board and the Division of Buildings because the School Board was keeping track of the money spent on the school too, and they figured they still had \$80,000 left when the Division of Buildings said they were out of money.

Mr. Haugen asked about the bid, but Mr. Wilson didn't really know because it had been rebid.

Mr. Saylor asked what kind of seating capacity they were requesting, and Mr. Wilson replied it was for three sections of bleachers.

Mr. Haugen asked how many kids were in the school, and Mr. Wilson said there were around 50 or 60 in the high school.

Mr. Haugen said that there had to be some way to get a hold on this problem of school construction. He thought it was ridiculous. Discussion of the problem followed.

Mr. Haugen asked to get Mr. John Benson, Director of the Division of Buildings over right away. The staff arranged it.

While they were waiting, Mr. Freeman returned and suggested they talk about scheduling. They came up with the following:

Thursday, February 28, at 8:30 A.M. - HB 4  
HB 542

Friday, March 1, at 8:30 A.M. - Commercial Fish and  
Habitat

There was further discussion of the school construction problem.

Mr. Haugen inquired as to the whereabouts of Joe LaRocca.

Use of State Computer Mr. Freeman said that as long as they were waiting, he had something he had wanted to bring up. He asked Jay Hogan to come in. Mr. Hogan passed out copies of two letters to the Committee members, saying they recorded events of the weekend.

Mr. Hogan went on to explain that basically what happened was that last weekend while running a final production run on House generated figures to provide a basic work document for everyone to work from, the job was put aside to run a run for a private contractor doing work for Alaska Electric Light and Power. This somewhat annoyed them, and they had done some digging and came up with other questions on Southeast Data (the private firm).

He explained that Mr. Endicott, who used to be Director of Data Processing, left several months ago and opened a private business deal, but still has the keys and appears to come and go whenever he wants to. He called and got permission from the current Director to do this work for AEL&P. Mr. Hogan said Mr. Endicott was planning to leave town and AEL&P was bugging him to get the work done. Mr. Hogan still didn't think this a very good reason to bump State business. He said it also raised another question because there is another data processing borough in town, and he wondered if it was appropriate to lease time in competition with an existing service borough. He didn't know what the policy was or whether it had been made.

Mr. Haugen suggested they get Commissioner Henri from the Dept. of Administration over.

Mr. Freeman said he had already taken copies of the letters to Mr. Ditman, so he imagined that Mr. Henri was aware of the situation already.

There was some discussion of the problem.

Mr. Haugen said he wanted to find out if there was a statute on prohibition of going into private service for a certain length of time after being in the State service.

It was decided that they would go into the subject with Mr. Henri and the Division of Data Processing later in the day.

School Construction Division of Buildings  
Mr. John Benson, Director of the Division of Buildings arrived along with Mr. Bob Dwyer, Deputy Commissioner of Public Works.

Mr. Freeman explained they were having some difficulty understanding some of the school construction problems. Mr. Specking had some examples he wanted to present for explanation.

Mr. Specking said he was talking about the the Gakona School Construction. With their permission, he read a letter which had come from the Gakona Advisory School Board. He asked them to look at some photographs which had been received along with the letter.

Mr. Benson and Mr. Dwyer were not able to answer any specific questions at this time. They said they would come back with a full report on the matter.

Mr. Specking gave them a copy of the letter and the pictures to take along with them.

RECESS

Meeting recessed at 9:50 A.M.

HOUSE FINANCE COMMITTEE

February 28, 1974

Thursday

8:35 a.m.

Present: Representatives Freeman, Haugen, Barber, Ose, Ferguson, and Specking. Also present were the following: Representative L. Wilson; Deputy Commissioner of Public Works, Robert Dwyre; Marine Transportation Traffic Manager Doug Burton; Marine Transportation Deputy Director Carl Mathisen; Commissioner Emmitt Wilson, Department of Commerce.

HB 4 Representative Freeman, Chairman, called the meeting to order. Rep. Freeman told the Committee that the sponsor of HB 4 (An Act providing for state chartered credit unions) had requested that no action be taken on this bill until the following year. Rep. Ferguson, who had previously expressed interest in the bill, had no objection. There being no objection from other Committee members to defer action on HB 4, the bill was returned to the file. Rep. Freeman thanked Commissioner Wilson for attending the meeting.

[Commissioner Wilson left the meeting at this time.]

HB 542 The Committee then considered HB 542 (An Act repealing the authorization of the Department of Public Works to sell the M/V Wickersham).

Rep. Haugen told the Committee that he thought it would be a mistake to sell the Wickersham. He stated that most of his constituents and many organizations throughout the state concurred.

Rep. Haugen said that since November, passengers have been left on Seattle docks because the ferries are filled to capacity. The replacement cost of the Wickersham today is \$25 million; by the time of actual replacement, the cost would jump to \$30 million.

Rep. Haugen said that even with the Jones Act restriction, the Wickersham could be scheduled to take care of through passengers from Prince Rupert, Skagway, and Haines; other vessels can then give service to other Southeast communities. Rep. Haugen stated that there is a resolution calling for a permanent waiver for the Wickersham under the Jones Act. He had talked to several people who would help in this matter and who told Rep. Haugen that they might possibly obtain a year-to-year waiver or a waiver for an even longer period of time.

Rep. Haugen said that the \$7 million which was part of the anticipated receipt from the sale of the Wickersham would be used to pick up the amount of money not available in the bond issue to build the Columbia and Bartlett and to improve port facilities.

Rep. Haugen said the repeal of the Wickersham sale is a very worthwhile consideration.

Rep. Specking told the Committee that the communities which he represented have gone on record stating that they want the Wickersham in service. He stated that he believed that a capital investment such as the Wickersham should not be sold without consideration of public input.

Rep. Freeman then asked Mr. Robert Dwyre, Deputy Commissioner of Public Works, to speak on HB 542.

Mr. Dwyre stated that the Department of Public Works has ample information regarding the fiscal matters concerning the retention of the Wickersham. Mr. Dwyre said that the market for the sale of the ship does not seem good right now.

Mr. Dwyre told the Committee that the Dept. of Public Works has some difficulties over the operation of the Wickersham, namely the Jones Act, and also the configuration of staterooms and the car deck. Mr. Dwyre said that some of these things may have some bearing on how the Committee looks at the issue.

Mr. Dwyre stated that the department's official position is one of commitment to sell the Wickersham. [Mr. Dwyre then asked to be excused; he left the meeting at this time.]

Rep. Freeman said he assumed that the department will not recommend any position opposed to that of the Governor's wish to sell the Wickersham.

Mr. Mathisen, Deputy Director of the Division of Marine Transportation, told Mr. Freeman that he was correct in his assumption; the departmental representatives were in attendance to answer the Committee's questions only.

Rep. Ose then asked how many ferries will the state have which come out of Seattle if the Wickersham comes back into the run along with the Columbia. Mr. Doug Burton, Traffic Manager for the Division of Marine Transportation, stated that the number would depend on whether the scheduling for the vessels would be similar to the scheduling of the past. Mr. Burton said that during the winter, two ferries come out of Seattle; during the summer, only one. He said there is a possibility of having a cross-gulf connection, but looking at the past, the Wickersham would run out of Seattle in the winter, and out of Prince Rupert during the summer.

Rep. Freeman pointed out that the major variable in this matter is the Jones Act exemption, and what the state can do with the Wickersham now under the waiver, and what can happen if the state cannot come up with a waiver of the act.

Mr. Burton said that the Wickersham would have to run into Vancouver. He added that if the Jones Act is lifted, it would change things slightly, but there are still a number of things that could be done; he said the fuel situation must be considered at this time, as well.

Mr. Burton stated that currently, with the Malaspina ferry coming out of Seattle during the winter, approximately 15 vehicles are left behind. The Malaspina is the largest of the fleet. Mr. Burton said they could have used one more vessel out of Seattle in the winter, although it was difficult to tell how many vehicles may turn up--even those with reservations. He said that it may be possible to predict the number of passengers with the Wickersham in operation.

Mr. Burton said that one or two ferries a week out of Prince Rupert do not satisfy Southeast communities. During the summer, no matter how many vessels come out of Prince Rupert, all would be filled to capacity.

Mr. Burton said that in 1967 - 1968, the ferries were filled to capacity for the first time; since that time, there has been a 10% to 12% increase per year in traffic; there has always been a backlog of traffic from Haines and Prince Rupert in summer.

Mr. Burton said the Wickersham can be used; it is just a question of the best method of providing service.

Discussion then followed regarding the "stretching" of the ferries, their refurbishing and the installation of sewage tanks aboard. Mr. Mathisen said there is no room in the Wickersham to put the environmentally-required equipment. There is the cost of refurbishing vs. the cost of lengthening. Mr. Burton then stated that if the traffic does continue to increase at a rate of 10% to 12% per year, a stretch out would keep abreast of that rate, but with the Wickersham back on, it would be summer of 1975 by the time it was expanded.

Mr. Burton stated that rails were installed so cars could be put down along side passages in the vessel; but there is still a problem of loading and unloading vehicles. Mr. Burton added that if people turn to smaller cars due to the gas shortage, this would help the situation.

Rep. Ose asked if other ferries had a loading problem. Mr. Burton explained that most other ferries have a machinery well down the middle of the vessel; the Wickersham has machinery wells on each side.

Mr. Burton then said that even with the waiver of the Jones Act, the Wickersham cannot haul any commercial vans. Other ferries must take care of the commercial traffic.

Mr. Burton stated that the Wickersham makes less than the Malaspina (\$500,000 less). Mr. Mathisen said it was one-half million dollars with the waiver and less than that amount without the waiver.

Mr. Burton told the Committee that crewing is 70% of the operation.

There being no further discussion or questions from the Committee, Mssrs. Burton and Mathisen left the meeting.

Rep. Haugen then moved and asked unanimous consent that HB 542 be reported out of Committee. Rep. Barber objected. The question was called for, and those in favor of reporting out HB 542 were Representatives Haugen, Freeman, Ose, Ferguson, and Specking; opposed was Rep. Barber; and so the motion carried, 5:1.

HB 542 was reported out of Committee, the standing Committee report reading as follows: signing "do pass" in the Majority Report were Mssrs. Haugen, Ose, Ferguson, and Specking; Representatives Freeman and Barber, not concurring in the Majority Report signed "no rec."

cess: There being no further business at this time, the Committee recessed at 9:10 a.m.

HOUSE FINANCE COMMITTEE

March 2, 1974

Saturday

9:50 a.m.

Present: All members with the exception of Representatives Ferguson and Ose. Also present was Milt Barker, House Fiscal Analyst.

HB 489 Representative Freeman, Chairman, called the meeting to order and announced that the Committee would consider HB 489, an act making a supplemental appropriation to the Department of Health and Social Services for general relief medical in the amount of \$492,400.

Representative Saylor stated that there is not a great deal the State can do about paying bills incurred. He said that Commissioner McGinnis of Health and Social Services had made a good presentation on the supplemental and had pointed out definite areas and programs which the department has improved substantially; they are trying to live within the budget, but they have no control over some things. Rep. Saylor said that all programs have been put into effect by the Legislature, and the department has followed the directions of the Legislature. Rep. Saylor then stated that the basic question was whether to consider the \$492,400 supplemental figure or the adjusted figure of \$550,000.

Representative Barber concurred with Representative Saylor; he said that they had no choice in the matter. It is a disagreeable necessity.

Representative Specking said that he agreed with Rep. Saylor in that they had no choice but to approve the supplemental, but he is not convinced that the agency sought every possible means to live within its budget. Representative Specking said that it is a matter of routine to operate on the same level and also to put in for a supplemental appropriation. Rep. Specking told the Committee that they should decide how to narrow the parameters of how the agency shall operate. He added that the people delivering the services have indeed delivered them, and they will wind up holding the bill; this would mean hospitals in Alaskan communities.

Representative Warwick said that the hospitals would be stuck with less than 5%. Representative Haugen then pointed out that General Relief Medical is 100% state funded. Rep. Haugen said that the amount must be paid, but that the Committee knew that if the Legislature continued to keep giving the agency money, they will continue to ask for supplemental appropriations.

3/2/74

Rep. Haugen commented that he was concerned about people coming to Alaska from the pipeline impact; he said that this will be an "out" for them, although there will be some legitimate cases. Rep. Haugen added that some people go to state agencies and Public Health as well and receive General Relief Medical money from both.

Representative Freeman stated that the agency sets the eligibility levels, and it seemed to him that the logical thing for the agency to do if they cannot come to the Legislature for a supplemental, is to tighten up on the criteria for the eligibility levels. They have such authority.

Rep. Freeman then read a letter from a Ketchikan citizen who voiced concern over General Relief Medical owing \$8,000 to a particular institution. Rep. Freeman said what is happening is that the burden is being shifted from the State level to the local level.

Representative Specking then stated that apparently, the adjusted figure of \$550,000 was brought about by two-year-old billings, and those bills could only have come from institutions or doctors. Rep. Specking said he did not wish to see those people suffer.

Representative Haugen stated that what they have not been able to collect or get in other categories of aid, will be paid from General Relief Medical.

Representative Haugen then said that it had been learned several years ago during a legislative session that the Cordova Hospital gave \$39,000 in bills to the Department of Health & Social Services. They were attempting to collect their old bills instead of writing them off; he then said that some doctors are doing the same thing by saying that the patient has no resources, and therefore the State must pay.

Representative Haugen stated that they will have to pay the bills, but the Committee should tell Commissioner McGinnis "no General Relief Medical". Rep. Haugen added that politics are now tightening up on health and welfare.

Representative Saylor then asked if any Committee members knew if the Budget and Audit Committee had ever had a legislative investigation of eligibility levels in General Relief Medical. Representative Warwick replied that the department itself had been audited, and the subject delved into for the most part had been food stamps. Rep. Warwick said it was a jumble in determining eligibility, and food stamp eligibility determination is probably worse than General Relief Medical. Rep. Warwick added that Commissioner McGinnis had indicated that persons applying for food stamps had to sign a statement verifying that they are eligible; this allows the agency to prosecute if they find otherwise, although it is a subjective determination.

3/2/74

Representative Saylor's stated that Legislative Audit should conduct investigative work on General Relief Medical. Rep. Freeman agreed that the Budget & Audit Committee members should insist on an audit. Representative Barber stated that the Committee could postpone action on the bill until Legislative Audit ran a "spot check" on the eligibility requirements-- how they were followed and handled.

Representative Haugen said that the old argument during the past ten years on General Relief Medical was that the numbers of eligibles were underestimated.

Representative Warwick told the Committee that the agency indicated that if they had to cut down on programs, they will. Rep. Warwick said they can restrict all programs except those preventing death, but added that one would think they would have done that the last time the Legislature cut them back.

Representative Barber pointed out that the amount of money the Committee is considering at this time is the amount the agency needs to operate until the end of the fiscal year. If the request is denied and the program is cut back, then the responsibility falls on the Legislature. Representative Warwick countered that the agency went over its appropriation in this program after the Legislature had given them a specific amount to "live with".

Representative Saylor's stated that if the Committee wished to "tighten" up the situation, then approve the original amount of \$492,400 instead of the adjusted figure \$550,000.

Representative Barber then moved that HB 489 be passed from Committee with individual recommendations.

Representative Saylor's asked Rep. Barber which figure he was talking about. Rep. Barber said his motion covered the original figure of \$492,400.

Rep. Meekins then asked for a brief discussion; he then asked what the extra money in the adjusted figure would be used for. Representative Freeman said he did not know where the money will go, but it is the latest estimate needed to carry over the program until June 30, 1974.

Representative Barber called for the question that HB 489 be reported out. Those in favor of the motion were Representatives Freeman, Meekins, Specking, Barber, and Saylor's; opposed were Representatives Warwick and Haugen.

HB 489 was reported out of Committee with individual recommendations. Those signing "do pass" were Representatives Freeman, Meekins, Saylor's, and Barber; those signing "no rec" were Representatives Warwick, Haugen, and Specking.

House Fiscal Analyst Milt Barker then distributed copies of the contract between the State and Dr. John Yankey for

studies of the State's health and social services.

Representative Freeman then told the Committee that Rep. Orsini had requested a hearing on HB 448 (special appropriation to Legislative Affairs Agency for development of computerized in-house legislative bill status system.)

Representative Meekins then stated that on behalf of Representative Tom Fink and himself, he requested a hearing on the House Bill dealing with compensation after the State has taken over people's leases.

Representative Warwick said he wished the Committee to consider HB 750 dealing with limitations on municipal assessments with pipeline related properties.

**Recess:** The Committee then recessed at 10:35 a.m.

HOUSE FINANCE COMMITTEE

March 4, 1974

8:45 A.M.

PRESENT

All members of the Committee except Representatives Meekins and Saylor. Mr. Fred Boetsch, Director of Revenue Audit, was also present. Mr. Joe LaRocca was in attendance.

HB 361

Chairman Freeman called the meeting to order and stated that HOUSE BILL NO. 361 (An Act relating to the collection of civil penalty under the Alaska Net Income Tax Act) was up for discussion.

Mr. Boetsch gave the Committee copies of a memorandum dated Feb. 4, 1974 from Mr. Carroll, Director of the Collection Division, regarding HB 361. He said that basically the bill seeks to add language to the collection statutes relation to collection of civil penalties in the case of withholding taxes. It would simply allow them to collect these in the same way they can collect other taxes. He pointed out that they can assess penalties now, but can't collect them as they can other taxes by filing liens and enforcing liens.

Mr. Specking wondered whether there was a reason this had never been put in the statutes before. Mr. Boetsch had no idea why it hadn't been added earlier. He thought it was just a flaw in the statutes.

Mr. Boetsch explained that the problem they have had collecting these taxes is as follows: The Corporation is in financial difficulty and so it withholds money from employees' wages presumably for the purpose of income taxes. What actually happens is the corporation uses that money to finance its operations. Quite often they become bankrupt. The whole idea of this bill is to make the responsible officers of the corporations liable. They were talking about somebody who withholds taxes from employees on a fraudulent basis. HB 361 would permit the Dept. of Revenue to enforce this penalty in the same way as other taxes.

Mr. Specking asked about the little businessman, and Mr. Boetsch said the little businessman is directly liable already. He doesn't have the protection of the corporations for fiscal liability. If he does the same thing, he becomes personally liable.

Mr. Specking said it seemed that the bill was trying to get at personal assets, not the corporation's assets. He was personally opposed to anything that would allow them to go past the corporate structure and get personal assets. He thought they would be fixing the responsibility on somebody who is only partially responsible.

Mr. Boetsch pointed out that they already have the authority to assess the penalty. He added that the Federal Code allows the federal people to assess individuals in this same type of case, and they also have the power to collect. He said it wasn't an income tax liability or a tax liability as such. It only covers money held in trust for employees for the purpose of paying their income taxes, but which actually ends up being used for their business.

Mr. Barber had a question in regard to the 100% penalty. Mr. Boetsch explained that the penalty was equal to the amount of taxes they had withheld from the employees and failed to pay over to the state.

Mr. Freeman said that since they were dealing with money that didn't really belong to them in the first place, it was like stealing money.

Mr. Barber didn't think it worked that way.

Mr. Warwick said he had reservations regarding how they would determine who was guilty. He said that technically the way it would work, is they would be liable for the money once a quarter. A decision might never be made to dispose of the funds, it could just happen and there would be no money left. He asked how they would determine who was guilty.

Mr. Boetsch said they have been going after the person signing the checks. Mr. Warwick said that person might not even be aware of it.

Mr. Boetsch said the typical way of managing the money was to set up a separate payroll tax account, and then they would automatically have the money to cover taxes when they are due.

Mr. Meekins thought that it could happen that somebody would be unaware of the situation.

Mr. Specking thought it was something that needed research.

Mr. Barber asked if they went to court if the guy who signed the checks said he wasn't the responsible one. Mr. Boetsch said that would be the next step, but he said that ultimately the responsibility lay with the corporate officers, not those they delegate the responsibility to.

Mr. Barber thought the corporation would have to be awfully small for the corporate officers to know what the situation was. Mr. Boetsch said that what they were trying to do was fix the responsibility for the trust funds they held as fiduciaries.

Mr. Boetsch said under normal management practice, it was the responsibility of the officer to make sure the bookkeeping was set up properly.

Mr. Ferguson asked what would happen in the case of the corporation set up for State-operated Schools, where they man who is the Treasurer has nothing personally in SOS, yet he is still the Treasurer. He wondered if he would still be responsible.

Mr. Boetsch said that when they were talking about a public agency, it was assumed they wouldn't be going bankrupt, and as long as the corporation is solvent, they will continue to push the corporation for the payment.

Mr. Boetsch said he could see they might get into a situation where they had three or four people responsible. Then they would have to determine through analysis of the facts who made the decision to set up the bookkeeping this way, or who decided not to pay over the taxes.

Mr. Warwick asked what happened to an employee when a company failed to pay over the taxes. He wondered whether the State could still go after the employee. Mr. Boetsch said that the employee was credited for those funds, so if the money wasn't turned over to the State, it came out of the State's pocket.

Mr. Specking still didn't think it was right to go in and attack a guy's personal assets rather than the corporate assets. He said a person might be involved in several corporations. He thought the bill would give too much latitude to the Department because they could go after the guy with assets, but who wasn't really responsible. He didn't want to give them that right without some more study.

Mr. Haugen agreed that it needed some study.

There was further discussion of the problem by the Committee.

Mr. Warwick said that if IRS can already do this, then the bill would actually put the State side by side with IRS.

Mr. Boetsch said he was not just talking about corporate officers, but rather the responsible person. He told of a case where they went after the bank officer because they found he had taken over the decision of who was to be paid and when. Checks had been made out to the federal government and the state for payment of the withholding taxes and the bank officer refused to make payment on them. What they have to do is determine who made the decision not to pay taxes over to the State.

After further discussion, Mr. Freeman said he suspected they needed time to think it over, so they would postpone action on the bill for a little while.

Mr. Freeman said that the next item on the agenda was HOUSE CONCURRENT RESOLUTION NO. 23 (Relating to the paving of the Hope Road).

Mr. Specking said he had a petition signed by approximately 1,000 Alaska residents urging that they pave the Hope Road. He said that a fiscal note was being prepared by the Department of Highways and would be coming to the Committee shortly.

He said they were talking about 17 miles of road which are completely up to standards. The road was up to federal highway specs right before the earthquake, and they have reconstructed the small portion that was effected.

One of the reasons they desire to have it paved is that so much dust is created by the large amount of traffic that uses the road.

Mr. Haugen said that he drove that road, and couldn't understand why the Highway Department neglected it when it had such a tremendous amount of traffic.

Mr. Specking moved and asked unanimous consent that they move out HCR 23 with a do pass recommendation. Mr. Warwick didn't see how they could do anything on it without knowing how much it would cost, and asked that they wait until the fiscal note came over.

Mr. Meekins also wanted to see the fiscal note before voting on the bill.

Mr. Specking felt that was a reasonable request, and so withdrew his motion.

HB 157

Mr. Warwick moved that they take up HOUSE BILL NO. 157 (An Act relating to state aid to local governments) up for consideration. There was no objection.

Mr. Warwick stated that this was a bill to set up an area cost of living differential for revenue sharing. The fiscal note attached shows it will cost about \$5,000-\$6,000. He personally felt there was merit in it. Of the two bills on the subject, he felt the original bill was probably more workable.

Mr. Warwick moved that they pass HB 157 out of Committee with individual recommendations and amend the effective date to July 1, 1974.

Mr. Barber objected for the purposes of discussion.

Mr. Freeman said he personally couldn't support the bill. He felt there were inequities in using the formula.

Mr. Specking said that it was too broad to suit him.

The question was called. Only three were in favor of the bill, and the motion failed.

RECESS

Meeting recessed at 9:55 A.M.

After Recess  
1:40 p.m.

EB 606 All members were present. Also present were Messrs. LaRocca and Miller of the press, and John V. Eastman and Neil A. Butterfield from the Church of Jesus Christ of Latter-day Saints, James Doogan of the ABC Board, Jack Griffin, an Anchorage representative of CHAR, Bill Sheffield, an Alaskan hotel and restaurant operator, Bernard L. Marsh, member of the Anchorage City Council, Bette K. Aley, Executive Director of CHAR, Helen Hamnes, of the Breakwater Restaurant and Lounge, Phil Zarro, manager of the Baranof Hotel, and Jim Elins, of the Foc'sle Bar and Liquor Store in Ketchikan.

Chairman Freeman called the meeting back to order at 1:40 and announced that the purpose of the meeting is to provide public hearing on HOUSE BILL 606 (An Act relating to the issuance of restaurant liquor licenses). He asked Mr. Haugen, primary sponsor of the bill, to make any comments he wanted.

Mr. Haugen said that the bill deals primarily with the problem in Petersburg where there are two bars and two clubs with liquor licenses but there is no place at the present time where a person can go to an eating establishment and order a cocktail with dinner -- nor, given the beverage dispensary license limitations, is there any opportunity for such an eating establishment to come into the community. The intent of this bill is not to open the door for anyone to get a license, he emphasized.

The committee substitute relates to local option although the Board would make the decision ultimately based on need and necessity. Mr. Haugen mentioned that there had been a previous hearing and that there is someone in Petersburg with a liquor license but no facility at this time due to acquisition of his property, who is interested in putting in a restaurant with liquor served along with it. Mr. Haugen had expressed to this person his willingness to help and support him in any way possible, but so far there has been no attempt to contact him. Mr. Haugen said that there is a good deal he could say about the bill but was more interested at this time in hearing those who had come to testify.

First to testify was Ms. Bette K. Aley, Executive Director of CHAR (Cabaret, Hotel and Restaurant Owners Association). She said that she was asked to speak against HB 606 as a representative of the Anchorage CHAR. She said that this bill is the same as last year's HB222. She said that she can sympathize with the problem existing in Petersburg, but that it is the feeling of CHAR that it is wrong to pass legislation benefiting one small area at the expense of the entire state.

3/4/74

Presenting some figures on the Anchorage area population versus licenses, Ms. Aley said that the population of Anchorage is 75,500, and there are 70 beverage dispensary licenses not including duplicates. By statute stating that there shall be one license for every 1500 people, Anchorage is already overloaded by 19. The borough population discounting the city is 79,110 and has 61 dispensary licenses -- 8 licenses over that allowed by statute. In the borough, because of the 5 mile radius there still could be even more licenses. She emphasized how important it is that there be limitations on licenses, and felt that in a sense, because of the increased crime problems she would anticipate with an increase in the number of establishments serving alcoholic beverages, it is in conflict with the idea of a law and order legislature to consider this legislation.

She said that contrary to the opinion of some people, she feels there is no question but that the non-transferable licenses would affect the transferable licenses. She feels this is just bad legislation.

Mr. Warwick stated that he does not feel that the problem, as Ms. Aley stated, is solely one belonging to Petersburg and that that is all it is aimed at. He said that he thinks the problem is somewhat statewide. He added that he cannot really understand why CHAR is so adamantly opposed to this bill and asked that she clarify these reasons. Ms. Aley said that she feels there will be negative effects on police protection, insurance of the investment of present license holders, enforcement of standards -- and said that any time you "open the lid" there are all kinds of problems.

Mr. Warwick stated that this will be only with the consent of the municipality -- and noted that municipalities had this power only two years ago.

Ms. Aley did not think the municipality would be able to say yes to one request and then no to another, and foresaw innumerable food/drink establishments springing up, overloading the market. Mr. Warwick thought that the municipality would have more discretion than that.

Mr. Saylor asked how many CHAR members there are, and Ms. Aley said around 240 or 250. There are 76 in Anchorage discounting dual licenses, 86 counting them.

Mr. Elkins from Ketchikan testified next. The major thrust of his testimony seemed to be that he felt this was a personal interest bill and he was opposed to personal interest bills. He said that he was representing himself as a private person, an interested and concerned group of citizens, the Ketchikan Retail Liquor

Association, and in addition said that he had talked to several of the churches around town, not to mention a member of the ABC Board and the Ketchikan police chief, all of whom seemed against this bill. All the individuals were basically opposed to broadening the liquor outlets in the state. He said that the Police Chief said that this would make the job of the police more difficult. He read a letter opposing the bill from the citizens group.

Mr. Haugen commented that he felt if anyone was involved in "personal interest" in this matter it was those people trying to protect their licenses and afraid of losing their value. He did not feel he had a particular personal interest in this bill.

Mr. Elkins said that the state has always protected their interests and they feel the state would be infringing on their rights if they passed this bill -- as if the state gave them something and then took it away. He felt that the Tourism bill would provide another option, anyway.

Mr. Warwick expressed definite irritation with the idea that this was a self-interest bill and that that was a reason Mr. Elkins was stating for opposing it. He considered it quite obvious that the CHAR members were about as self-interested as is possible to be, and resented their lack of frankness in admitting that they were being motivated by self-interest. He stated that he would have found Mr. Elkins' testimony more credible had he frankly stated his bias and his fears for his own business concerns. He particularly objected to Mr. Elkins' statement that the state's obligation is to protect these license holders. Mr. Warwick stated that on the contrary, the obligation of the legislature in matters before it is to protect the people of the state, and he said that he fails to see how the people of the state are benefited by the extremely high prices liquor dispensary licenses are now being sold for. After all, it is to the consumer that the high price of these licenses - created by their limited availability -- is passed on and is one reason for high restaurant food prices.

Mr. Elkins didn't believe that the licenses really went for quite such high prices (earlier testimony to the committee was that licenses in Anchorage were being sold for upwards of \$45,000 and for as much as \$65,000 or \$70,000.)

Mr. Elkins said that he bought his license for considerably less than that. Mr. Warwick asked when he bought it and he said in 1968. Mr. Warwick pointed out that in 1968 the municipality had the same control over licenses that this bill would provide for, and that in fact the municipalities had more control than that as they could also dispense the standard liquor dispensary licenses.

3/4/74

Next to testify was Mr. Bernard L. Marsh from the City Council of the City of Anchorage. Mr. Marsh said that he has some reservations about this bill. With reference to Mr. Warwick's comment that the municipalities had even more control in 1968 than is provided by this bill, Mr. Marsh said that he has been on the Council since 1968 and was City Manager before that and he has a different understanding of what the situation was before the current statutes were passed. He said that the limits of 1500 persons per license has been in effect for as long as he can recall and that all that changed with the current statute is the process of approving licenses. Mr. Doogan, Director of the ABC Board disagreed, and explained that before two years ago, there was a law that said if a local government chose to increase the number of licenses over and above what the law allowed population-wise they could do so by ordinance but that ordinance had to be just for the one license. Then that power was taken away and it no longer exists. This bill as it is written would put some of that power back. Mr. Doogan mentioned that he had testified at the other hearing and had done some rewriting of the bill himself, and had come up with a proposed committee substitute. At any rate, he repeated to Mr. Marsh and the committee that municipalities had had the right previously to increase the number of licenses.

Mr. Marsh said that the reason he did not remember this was because it had not been Anchorage's policy to do that. [This had been part of Mr. Warwick's point -- there was nothing requiring that a municipality go this route if they chose not to.]

Mr. Marsh said that the way he reads the bill it is difficult to understand how it differs from a dispensary license, and asked if the only difference is in the transferability factor. Mr. Doogan told him that it would be mandatory to serve food with the alcoholic beverages under this kind of license should it pass. Mr. Marsh asked if there would be cocktail lounges allowed in conjunction with the restaurant and Mr. Doogan said no.

In response to further comment by Mr. Marsh, Mr. Doogan said that he wants to see the bill written so that the applications do have to come before the ABC Board; however, it would still have to be approved by the community, also.

Mr. Marsh commented that there is a certain market for liquor licenses, and that if you double your number of licenses, your market does not double. He said that he doesn't want to see more bars in Anchorage. As the bill is now written the City is opposed to it, he concluded.

Mr. Meekins asked how the additional licenses would increase police problems, as Mr. Marsh had indicated they would. Mr. Marsh said that by virtue of their being more places under police surveillance

3/4/74

it means more work. Secondly, he felt that if the number of licenses increases, then because of competition more places are liable to go into illegal activities like gambling or prostitution in order to attract their clientele, and this would increase policing problems.

Mr. Meekins said that considering the fact that these will have to go with service of food he felt this might have an ameliorating effect. He asked Mr. Marsh if he feels it ought to be the concern of the legislature to regulate the competition, and Mr. Marsh said no, but nor did he think it ought to be the legislature's function to increase the problem.

After further discussion, Mr. Marsh stated that the City Council has felt that there has been a contingent benefit when a restaurant has bought up a standard dispensary license from a bar in order to go into business, that benefit being that a number of "bad" licenses have been turned into better ones in this manner.

Mr. Warwick stated that the problem specifically referred to in discussion in this matter, that being Petersburg's situation, is not confined to Petersburg. He feels that it exists all over the state, and mentioned that it is the case in Fairbanks. There are a number of specialty restaurants interested in coming in (i.e. foreign food restaurants and such) but they have no chance of getting a dispensary license as they just have not been available, but they are at such a competitive disadvantage if they cannot serve alcohol that it is often not to their advantage to go into business in the area. He felt that with pipeline coming on, the licenses will get a lot more difficult to get hold of than they even are now. He mentioned a license being sold for \$25,000 in Fairbanks at a low point in the economy, which gives an idea of just how out of reach they are for most establishments even when they do become available.

Mr. Eastman spoke next, representing the Church of Jesus Christ of Latter-day Saints, otherwise known as the Mormon Church. He said that there are 1400 members of his church in Southeastern all of whom he feels would be affected by this legislation. They are opposed to any measure making it easier for the public to consume alcoholic beverages. There are some reasons for this. First, he said that he personally finds it offensive to be "bombarded" by cocktail waitresses when he and his family go for a meal. He also mentioned that this is a worldwide stand which his church takes. In Alaska there are approximately 8,000 members of this church, 6,000 of whom reside in the Anchorage area. He wanted to know what the effect on establishments serving liquor would be and what the effect on minors unaccompanied by adults would be. Mr. Warwick said, with reference to the second question, that he would assume that minors would not be allowed on the premises of an establishment serving hard liquor unaccompanied by

3/4/74

adults. Mr. Doogan said that this is correct.

Mr. Warwick asked Mr. Eastman if he had to choose between having no new restaurant and having one which served alcoholic beverages, which would he choose, and Mr. Eastman said having no restaurant.

Mr. Griffin, representing the Anchorage CHAR spoke next. He said that a majority of members of that organization feels that this is not a good bill for their industry, especially considering the city is overpopulated with dispensary licenses as it is. He said that they feel the statutes now with reference to population are sufficient and should be enforced as they are. They do not want to see the door opened for a lot of new liquor-serving restaurants.

Mr. Meekins said that he is concerned about a couple things. He said that he can appreciate a person getting a license for practically nothing would possibly be upsetting to those who had paid enormous fees for their licenses, and asked if this is a concern of the CHAR people. Mr. Griffin said yes, they have all paid a fantastic amount for their licenses and that although he does not serve food in his establishments, he can see where people who do and have paid high prices for their licenses would not want to see someone paying so little come in as competition. Mr. Meekins asked if the price of the license is a pretty large part of the operating expense of an establishment and Mr. Griffin said that he would certainly say so.

Mr. Ose asked if there would be any restriction on hours, and Mr. Haugen said that he thinks there is some plan to control hours. Mr. Ose was afraid that the establishments under this kind of license would still be used for drinking places and not eating.

Mr. Bill Sheffield, President of Sheffield Enterprises, Inc. and owner of hotels and restaurants throughout the state, next presented his testimony in favor of HB 606. His testimony follows immediately this page and is numbered into the record. He stated emphatically that he felt in no way would this special license deprive the owner of a transferable license of any of the value of his license. They are two different kinds of things.

Mr. Sheffield's prepared testimony includes the definition of "restaurant" as used in the Washington State liquor laws, and would take care of some of the concerns Mr. Ose had had that someone would provide a sandwich and consider that a meal when what he was really doing was just drinking.

3/4/74

March 4, 1974

TO: House Finance Committee

FROM: Bill Sheffield, President of Sheffield Enterprises, Inc.

SUBJECT: TESTIMONY - HOUSE BILL 606

My testimony here today is in support of House Bill 606, which is the legislation designed to permit a restaurant to serve liquor to their customers.

A first class restaurant serving a need to a community, not only for the value of tourism, but to the local population, having a substantial investment should not be deprived the right to serve liquor if that is what his customers wish. A restaurant of this category should no more be deprived of this right than a hotel that has a restaurant, cocktail lounge, and 30 or more rooms; which now grants him the right to have a license. This type of license, I am sure, very often serves liquor to people other than tourist and who do not stay in the hotel.

The restaurant license proposed should be of a nontransferable type, preferably based on a heavy percentage of food business such as 60 or 70 percent of the total sales and which would have a substantial investment. This type of restaurant license is common in Washington State, which I have a copy of the liquor laws for your pursuance. The definition of the term "Restaurant" as used in RCW 66.24.400 to 66.24.470 of the Washington State Liquor Law Hand Book, inclusive, "means an establishment provided with special space and accommodations where, in consideration of payment, food, without lodgings, is habitually furnished to the public, not including drug stores and soda fountains: provided, that such establishments shall be approved by the board and that the board shall be satisfied that such establishments is maintained in a substantial manner as a place for preparing, cooking, and serving of complete meals. The service of only fry orders or such food and victuals as sandwiches, hamburgers, or salads shall not be deemed in compliance with this definition." This regulation also states that no more than 35 percent of the total square footage be allowed for the cocktail area. Again, a restaurant license can be justified similar to the justification which is allowed for a nontransferable hotel license.

In my case, I have several beverage dispensary type licenses, some are transferable licenses and some are not. I do not find it difficult, in my opinion, to justify a person across the street receiving a license to serve liquor in his restaurant with certain restrictions, when across the street is a bar who may sell just cocktails and no food and have a transferable license which is an asset in his books.

There are many cities and communities in Alaska particularly Southeast Alaska, some Northern parts, and with a few exceptions in the Southcentral area that the population does not warrant another license in those cities or the communities which either have no restaurants or a distinct lack of restaurants. For a restaurant to survive, he needs those gross sales of liquor, but more important, the customer will not come to his restaurant if he cannot enjoy a cocktail before dinner or a glass of wine with his meal. Therefore, the restaurant operation cannot survive. This makes that restaurant become a second class establishment. A restaurant operation with a substantial investment, operating under a free enterprise system, will go broke.

Lets take a town that I have become very familiar with. I now have virtually the only restaurant with a liquor license in a town consisting of 1,003 people and five liquor licenses - Valdez. My restaurant in this community is almost as busy as it can be now, even with no pipeline activity as yet. I would welcome other restaurants to help take care of the need of not only tourism, but the pipeline impact, but I can assure you, there will probably be no new restaurants in Valdez unless allowed to serve liquor. Lets look at some of the problems of this particular community. Ten miles out of town little cocktail lounges will sprout up, probably serving no food, and by improperly tacking up tarpaper shack rooms to qualify for a liquor license. These buildings will do the town absolutely no good as far as participation and tax dollars to the community. Eventually, these establishments will become after hours hangouts, resulting in more and more law and order problems, which seems to be a popular issue these days.

Other states have found these same problems and with another problem added such as scalping of liquor licenses so that the price becomes so high for a person to go into business that he cannot make his debt service by just selling liquor. He might find it necessary to involve the establishment in gambling practices and other types of illicit or illegal acts to survive in business. This sort of practice adds to law and order problems and does not help it, as this legislature is attempting to solve.

For example: A liquor license in the City of Anchorage used to be sold in the area of 6,000 - 8,000 dollars. After a few years the new price was in the area of 15,000 dollars. Four years ago we had a little pipeline impact and the price all of a sudden jumped to 25,000 dollars. Recently, the price was about 30,000 dollars and group of Seattle boys came to town and offered 45,000 dollars for available licenses which is a non producing product difficult to justify. This establishes a new price level, and through a third party, I understand there might be one available, with no name yet, for about 70,000 dollars. If this sort of practice continues, where will the price stop?

House Finance Committee  
March 4, 1974  
Page Three

I am convinced that this legislature, as other state legislatures have in the past, will find that this practice must be stopped and either start issuing restaurant licenses or take the lid off completely as other states have also done.

I must repeat, that in no way does this deprive the local bar owner if he has a transferable license of selling his license and I don't believe this legislation will lower the value that he has placed on it.

I sincerely believe this law must be changed and hope that you will see fit to recommend this legislation be passed during this session.

Mr. Warwick referred to Mr. Sheffield's statement that there might be a license available for \$70,000. He said that if something is not done, the cost of the licenses will continue increasing and people will have made such extremely high investments that the legislature will really be locked into the present system of licensing.

Mr. Meekins asked Mr. Sheffield if he is not concerned about competing with people who would be getting licenses under this bill for considerably less than Mr. Sheffield has paid for his. Mr. Sheffield said no, that he sees nothing wrong with competition. Many places with dispensary licenses are not serving food but are just lounges or cabarets.

Mr. Doogan, Director of the ABC Board, came before the committee. He passed out copies of a committee substitute he has worked on and is proposing (copy in bill file). He said that he has discussed this matter with various members of the Board and they have a concern about additional liquor licenses.

He said that now the ABC Board has the control where municipalities used to. According to his committee substitute, the matter would still have to come before the ABC Board. He feels that it is good policy to have all the licenses come before the same place.

His committee substitute proposes a new type of license -- Restaurant B. This could only be issued if the municipality involved would pass a resolution after determining public convenience and necessity and recommending to the Board that they think the license ought to be granted. It would not be mandatory for the Board at that time to grant the license however.

Mr. Doogan said that there is a valid concern on the part of some of the smaller communities for having a license of this type. The Board feels that this is not the case in some of the larger communities. He said that he had tried rewriting the bill so that there would be no confusion between the two types of licenses. A lot in his committee substitute he felt might not be necessary -- that would be up to the legislature.

Under Mr. Doogan's proposal, the Board would adopt regulations to further retard or implement licensing, as might be called for. His idea is that if the legislature is going to pass this kind of legislation, it should still be governed well by regulation.

Mr. Doogan said that there is a valid need in certain areas -- and nothing is really being forced on those areas without the need. The City Council of Anchorage, as testimony was earlier made, had this ability a few years ago and used it very sparingly.

Mr. Doogan said that if properly regulated, he doesn't think it would be

3/4/74

of concern to anybody who does nothing but sell alcohol. He said that he could see some reason why a restaurant/lounge with a standard dispensary license might have some qualms about this.

He suggested that another restriction which might be placed on this kind of license would be specific hours, say 11 to 11 perhaps, or maybe a restriction that there could be no cabaret-type entertainment. He stated that if the legislature adopts this and it would allow for the Board to take care of regulating it, he thinks it would work.

Mr. Freeman asked if there was a community with 3200 people and 3 licenses already operating but no restaurant providing alcohol, what could be done now if the community wanted such a facility. Mr. Doogan said that they could buy one of the existing licenses or build a minimum 10 room hotel or motel and then apply to the board which would accept or reject application for a license.

Mr. Freeman wondered if it wouldn't be more honest if someone wanted a license to serve alcohol with food to do it in the manner prescribed in on the the HB606 committee substitutes rather than throw up some rooms and call it a hotel and Mr. Doogan said that he thought so.

Mr. Ose still expressed concern about the policing of these establishments and fear that they would just become more drinking places.

After considerable discussion, Mr. Haugen requested that there be a subcommittee appointed to go over the bill further along with CHAR people and ABC people. Mr. Freeman said he would take that suggestion under advisement.

Mr. Freeman thanked the witnesses, and the committee meeting adjourned at 3:30 p.m.

3/4/74

HOUSE FINANCE COMMITTEE

March 5, 1974

8:35 A.M.

PRESENT

All members except Representative Meekins. Representative Wilson was in attendance. Mr. John Messenger, from the Attorney General's Office, was also present.

HB 750

Chairman Freeman called the meeting to order and said that HOUSE BILL NO. 750 (An Act relating to municipal property taxing powers) was up for consideration.

Mr. Warwick said that the members each had in front of them a copy of a proposed Committee Substitute. He explained that the only provision of the CS different from the original bill was the second section, which makes the same qualification on municipal taxing powers under AS 29.58.180(a), the provisions authorizing municipalities to issue general obligation bonds, as Section 1 does under AS.29.53.055, the provisions for municipal property taxes.

Mr. Messenger, representing the Attorney General's Office, said they have analyzed the bill as to whether the language conforms to all specific intent expressed during the Special Session and also as to whether it conforms to overall purposes and intent of the section.

It was their feeling that this language would conform this section to that intent expressed during the Special Session. However, they also looked to see if it conformed with the overall purposes of the section, and in making a determination as to whether this language would conform to the original purposes in not having general obligation bonds being limited tax bonds that result in higher interest costs, they contacted the bond counsel. It was the bond counsel's opinion that this amendment might well result in general obligation bonds being limited tax bonds that result in higher interest costs.

Mr. Warwick stated that the original bill and all of the variations of it had some limitation on the amount of tax dollars that could go back to the municipality. Mr. Messenger said that this language did conform to the intent expressed in that letter in the Special Session.

Mr. Messenger said they may be effecting the bonding capacity of municipal governments. Mr. Warwick said that was the purpose.

Mr. Messenger said he was talking about higher interest costs to all of the municipalities.

Mr. Warwick said the interest rates would never be effected unless the municipalities approached the limitation.

Mr. Messenger said that they had to look to see if it would effect these limitations in the future.

Mr. Warwick asked Mr. Messenger if he was aware of any problems with HB 1. He was under the impression there might be some technical problems with it. Mr. Messenger wasn't aware of any.

Mr. Warwick moved that CS for HB 750 be reported out of Committee with a do pass recommendation

Mr. Ferguson objected. He asked for time to make a phone call to Fairbanks. He had been expecting a letter from them saying this would hurt their bond capacity.

Chairman Freeman called an at ease while Mr. Ferguson went to make his phone call.

Mr. Ferguson came back and said that a copy of the letter had been given to Mr. Meekins. He said they told him this bill would actually freeze the bond capacity.

Mr. Warwick said that Mr. Meekins had given him that letter. He said it was from Wood, Dawson, Love & Sabbatine. He read the last paragraph from the letter, which said the proposed amendment could have a marked effect on their bonding capacity. Mr. Warwick didn't think it would. If it did, he was willing to assume the responsibility of the North Star Borough. He said they weren't going to default on the bond, that they had an ample tax base, and so it just wasn't a problem.

Mr. Ferguson said that would be the letter he was talking about.

The question was called; and the motion carried 6:2.

[Mr. Meekins arrived at this time.]

Outstand-  
ing Funds

Mr. Haugen asked whether they had gotten the report from the administration on residual accounts they have out.

Mr. Freeman called Mr. Jay Hogan into the meeting and reminded him that earlier they had been discussing the retrieval of some of the outstanding funds which had lapsed.

Mr. Hogan said he had talked to Mr. Charney about being available to discuss the list project by project and the amounts that should be lapsed.

Mr. Freeman suggested they go through the list with Mr. Charney, and those which he couldn't justify, they could put into a bill and try to lapse it.

The Committee decided to call Mr. Charney over to discuss the matter. Mr. Hogan went out to make the telephone call.

Chairman Freeman said that while they were waiting, Representative Wilson had some further information on HOUSE BILL NO. 530 (An Act making a special appropriation to the State-operated School System).

HB 530

Mr. Wilson said that when they had last discussed HB 530, there had been question on the amount that had been included for the Healy gymnasium. He had gone to SOS with the information he had received from Mr. Ose and had it researched. As a result, they came up with an amended request. They found that for four sections of bleachers (two moveable and two stationary, which would seat 18 at each level and were 10 levels high) would cost \$15,000. However, that was at last year's price, so they suggested adding 25% for increased cost this year. The score clock would only cost \$1,500., so the total would be \$16,500 + 25% for increased costs.

The Committee had no questions.

[Mr. Joe LaRocca arrived at this time.]

Outstand-  
ing Funds

Mr. Charney arrived.

Chairman Freeman said that the Finance Committee felt there was quite a bit of money out which in some cases was not being used for what it had been intended, and in other cases not being used at all. He explained that the Committee was concerned because they weren't able to reappropriate the money. Thus, they were interested in retrieving it if possible, and reappropriating it.

Mr. Charney explained that the list they had was of the balance as of the end of December. He said it didn't show encumbrances. He had intended to do a new list at the end of March which would show that. He said he would have to pull encumbrances off of an IBM report.

Mr. Freeman asked how long it would take to get an update. Mr. Charney said he thought it would take him about a week to get an update through February showing balance and encumbered balances.

The Committee asked that he prepare the updated list.

RECESS

Meeting recessed at 9:30 A.M.

HOUSE FINANCE COMMITTEE

March 6, 1974

8:30 a.m.

All members were present with the exception of Representatives Warwick and Meekins. Also present were Mr. Bob Arnold, Executive Director of the Alaska Educational Broadcasting Commission, Mrs. Waid Jackinsky of Ninilchik, Mr. Gary Thorlough, Anchorage Borough Attorney, Mr. Jesse Dodson, Borough Assembly, Speaker Tom Fink, and Elaine Mitchell.

HB388 Chairman Freeman called the meeting to order at 8:30 for the purposes of hearing testimony on HOUSE BILL 388 (Special appropriation to Department of Education for ETV facility in Southcentral Alaska).

Mr. Robert D. Arnold, executive director of Alaska Educational Broadcasting Commission, presented a statement to the committee, which is appended following these minutes.

Mr. Arnold stated that they are requesting that the \$556,000 appropriation made last year but made contingent on receipt of federal funds be released for use this year -- either through special appropriation, per HB 388 or through House Concurrent Resolution 40, whichever the legislature deems more appropriate.

[Mr. Warwick came in.]

Following Mr. Arnold's presentation, Mr. Freeman asked where the operating expenses will come from. Mr. Arnold said that this will come from three sources -- state government, local donations and memberships, federal funding.

Mr. Freeman asked how much they will be asking for from the state. Mr. Arnold said that they will be requesting \$39,900 additional for operation for this year, and will probably be coming in with a request for \$200,000 for FY 76.

[Mr. Meekins came in.]

Mr. Warwick mentioned that his experience with the University of Alaska's educational television station is that it is very poor, and he expressed great dissatisfaction with this. He said that he is aware of the benefits that can be provided - noting that he had eagerly awaited the station -- but that although their equipment is excellent, their programming is appalling. Besides the programming, another objection he has is that they pay higher than the commercial stations can afford to and demand less work of their people, and the commercial stations are suffering.

3/6/74

Mr. Specking expressed the feeling that it would be unreasonable to go to the expense of putting in this station without additionally putting in translators so that a wider area could be reached -- he was particularly concerned about the Kenai area. Mr. Arnold noted that there is a \$10,000 capital improvement request to be matched with federal funds to extend the service. Mr. Specking wanted to know specifically where the transmitters would be going, but Mr. Arnold said that he does not know. They know which areas they intend to reach, but not where the equipment will be placed.

Mrs. Jackinsky passed out two exhibits from Alaska Public Television Incorporated, giving goals and objectives for this educational television (copies in bill file). She encouraged the committee to support this measure, emphasizing its value to children and adults alike.

Mr. Meekins mentioned McLuhan's contention that television is the most influential and psychologically pervading of the media and that given the statistics on the amount of time children spend before the television, it would appear to behoove the public to see to it that there is decent, educational, informative programs available to them.

Mr. Thorlough expressed his positive impressions of educational television, mentioning the benefits he felt it had had for his children.

Mr. Nat Cole of the Department of Education, who entered during the meeting, spoke also on behalf of this program and said that the students of today are really spending more time in front of the television set than in school by the time they have graduated -- thus emphasizing again a need for decent programming.

Mr. Warwick questioned whether there would be conflicts arising when satellite communication began in Alaska. Mr. Arnold noted that their planning is only for six years in advance and that there shouldn't really be a problem.

Meeting recessed at 9:50 a.m.

3/6/74

Testimony of  
Robert D. Arnold, executive director  
Alaska Educational Broadcasting Commission  
before the House Finance Committee  
March 6, 1974

Mr. Chairman, members of the committee, I want to thank you for giving me this opportunity to be heard on the proposed release of State-appropriated funds for the establishment of an educational television station in Anchorage to serve southcentral Alaska.

Before speaking to the action specifically proposed, I would like to provide a perspective by describing the status of educational television in the nation and of its progress in Alaska, and then to provide a background by telling the history of efforts to obtain television in the Anchorage area and by describing the federal program which is looked to as a source of funds.

Public television in the nation

Throughout America, educational broadcasting stations are, I should point out, more often today called "public" than "educational." This change has taken place in the years since 1967, when the Carnegie Commission on Educational Television issued its report: Public Television: a Program for Action. The program the Commission called for was one of federal support for programming of an educational nature aimed at general audiences, not at children in classrooms. Such programs, not arranged for formal instruction and not at the moment appropriate or available for support by advertising, the Commission called "public television." In response to their report, the Congress established the Corporation for Public Broadcasting and makes annual

appropriations to it; the Corporation, with the support of stations, established the Public Broadcasting Service to distribute public television programs.

In the years since the Carnegie report was published the number of educational or public television stations in America has nearly doubled. There are now 240 public television stations and about 80 percent of America's population is within their range. Briefly, some other facts:

- about one-third of the aggregate broadcast hours ask people to study and later show evidence of learning; they are, in other words, hours which are devoted to instructional television;
- the other two-thirds of the total broadcast hours are informational and cultural--Sesame Street, Buckley's Firing Line, the Advocates, WNET Opera, the BBC Masterpiece Theatre, and the like--most of which are provided to the stations by the Public Broadcasting Service; and
- the principal source of funding for PTV stations are their state governments, which provide 40 percent of the costs of their operations; the next most important source is the federal government, which provides about 17 percent; the remaining funds come from school districts or other units of local government, donations, and from foundations.

#### Public television in Alaska

There are now two educational/public television stations in Alaska. KUAC-TV at Fairbanks went on the air in September, 1971, and KYUK-TV at Bethel began broadcasting in September, 1972. About 45,000 Alaskans--about

16 percent of Alaska's population--are within range of their broadcast signals.

Most of the broadcast hours of these stations are devoted to informational and cultural programming, as in the rest of the nation.

The principal source of funds for both stations is the State government. Establishment of Alaska's first ETV station, KUAC-TV, was assisted by a federal grant of about \$450,000. The application for federal funds of the second station, which serves a much smaller population, was not approved, so the cost of establishment of KYUK-TV was borne entirely by the State. The principal source of operating funds for both stations is the State government, and the second most important source is the federal government.

Neither of these educational television stations--nor Alaska's four public radio stations--are operated by the Educational Broadcasting Commission, for it may operate stations by law only where no other competent contracting exists. They are licensed to either the University of Alaska or to non-profit corporations.

Under a demonstration project of the Commission, an additional two thousand Alaskans in Ft. Yukon, St. Paul, and Unalaska are viewing Sesame Street and other programs of the Public Broadcasting Service. The demonstration is aimed at developing information about how remote communities might be served with educational television by means of ten-watt television transmitters.

#### Background on southcentral educational television

In 1969 representatives of educational institutions in the Greater Anchorage Area Borough, the Matanuska-Susitna Borough, and the Kenai Peninsula Borough began exploring how educational television might be brought to their area. In

the following year they organized under Alaska law as the Southcentral Alaska Educational Broadcasting Association, Inc., obtained approval from their governing boards, and requested State funding through the Educational Broadcasting Commission. No appropriation was made, however, that year for southcentral Alaska.

Planning by the southcentral educators continued and for fiscal year 1972 there was entered in the budget document for the Educational Broadcasting Commission \$556,000 for the establishment of educational television to serve the three boroughs. A proviso in the journal supplement pointed out, however, that the funds were "available" for expenditure only if matched at least 35% by federal funds."

#### The HEW Educational Broadcasting Facilities Program

The Educational Broadcasting Facilities Program of the U.S. Department of Health, Education and Welfare, now approaching its twelfth year, makes grants that may not exceed 75 percent of a proposed project's cost. Such grants may be made for the establishment of stations or for their improvement.

Because applications made by corporations, universities, and school districts around the country have always exceeded the appropriated dollars available, a priority system is established by HEW to help determine which applications will be funded.

Last year and again this year, the Department's priorities have been essentially the same. Broadly told higher priority is assigned to helping stations obtain color equipment to replace black-and-white, to obtain first studio cameras and related equipment for local production, to acquire apparatus

to extend coverage, and to acquire apparatus for interconnection of stations. Down the list--the ninth highest (III A)--is activation of a station where the population to be served is less than 250,000 people.

That is the priority which has been assigned, then, to the application filed by Alaska Public Television, Inc., the successor to Southcentral Alaska Educational Broadcasting, Inc. While the priority position is not strictly followed by HEW, and while the program has a larger appropriation this year than last, it is difficult to be optimistic that a federal grant to activate a station in Anchorage would be made, at least in the Spring round of grants. The proposed release of funds/appropriation

The Educational Broadcasting Commission's highest priority for establishment of an educational television station since 1971 has been and continues to be activation of a station to serve the largest aggregate of population in Alaska: a station in Anchorage.

To bring the station on the air this Fall, the southcentral educational television group has a two-phase plan which requires the \$556,000 appropriation, but which would not require the opportunity of obtaining a federal grant to be foregone.

Phase one: Equipment costing \$495,300 would be purchased with State funds to go on the air with a station that would rely upon pre-produced tapes and films for its five-hour broadcast day. This would not permit the station to address community needs that would be served only by local production. The remainder of the funding (together with a small proposed operating grant from the AEBC, donations, and contributions from educational institutions) would go to the estimated \$145,100 operating cost through FY 1975.

Since all equipment purchased would be purchased consistent with the application accepted by HEW, the equipment would remain eligible for a 75 percent grant. (The HEW grant to activate KOTZ radio station was made three months after the station went on the air.)

Phase two: The second phase of the station's operation would be reached when the federal grant of \$577,593 would be won later this year, or, if it is not won, when a subsequent application for upgrading the station won approval from HEW.

If the federal grant is approved later this year, it will total \$577,593, part of which would allow purchase of equipment for local production (a second tape machine, camera, lighting, etc.), remodeling of existing space at the University of Alaska for a studio, and operation at a more full-service level.

If no federal funds are won this year, but the station is brought on the air, application for upgrading the station would stand a very good chance of approval by HEW, because such applications have been of consistently higher priority with the department.

In summary, approval of the expenditure of \$556,000 for the activation of southcentral educational television will allow the station to be brought on the air by September or October of this year. Equipment purchased will remain eligible for a federal grant, even if such a grant would be approved later in the year. If no federal grant were won on the basis of the existing application, an application for upgrading the station to a level commensurate with existing stations in Alaska, would have a high priority with the grant-making agency.

We urge favorable action on the pending legislation so that the benefits of educational television may soon come to the people of southcentral Alaska.

HOUSE FINANCE COMMITTEE

March 7, 1974

9:10 P.M.

PRESENT

All members except Representatives Meekins and Ferguson.  
Mr. Russ Meekins Sr. was also present.

HB 559

Chairman Freeman stated they would go on to hear testimony on  
HOUSE BILL NO. 559 (An Act relating to compensation for the tak-  
ing of rights-of-way across state leases).

Mr. Meekins Sr. said this bill was to correct what he thought  
was a fraud upon the public. He explained that the State was  
issuing leases for a period years, and in the lease there is an  
innocuous Section (6) which says the State has the right-of-way  
to cross the land. He said the average person figures an ease-  
ment of 30-60-100 feet, but attorneys don't think that way. They  
feel that right-of-way is what they need. He said that if a per-  
son has 60 acres, and they need it, and there is just a lease on  
it, the State just cancels the lease.

Mr. Meekins Sr. asked what good a 55 year lease was if it could be  
cancelled at any time. He said that considerable damage has been  
done.

Mr. Meekins Sr. stated that this bill would put a provision into  
the Act that the State would have to pay for any damages or losses  
sustained by the owner, including reduction in the value of the  
lease resulting from the exercise of the right to grant an easement  
or right-of-way.

Mr. Meekins Sr. summed up the bill by saying it would make a lease  
what it should be.

Mr. Saylor asked how many of these leases were in the Anchorage  
area.

Mr. Meekins Sr. didn't know. He added he had been to several  
lease sales. In fact, he said a lot of this property was leased  
in 1960, right after statehood, and people have been paying these  
leases ever since. He said that if something wasn't done now,  
there would be innumerable court suits for right-of-way going  
through at the Anchorage International Airport at this moment.  
He knew of at least eight court suits that would be coming up.

Mr. Meekins Sr. added that he didn't think anybody opposed the  
bill. He said that the Highways Department and the Division of  
Lands both say that they don't make the laws, just administer  
them.

Mr. Saylor said they would discuss HOUSE CONCURRENT RESOLUTION NO. 59 (operation of schools on military bases) & SENATE BILL NO. 122 (Public Education in unorganized borough).

[Representatives from State-operated Schools and the Department of Education arrived at this time. Among them were: Mr. Stan Friese, Superintendent of State-operated Schools; Mr. George White, Associate Superintendent Administrative Services; Dr. Marshall Lind, Commissioner of Education; Dr. Nat Cole, Deputy Commissioner.]

Chairman Friese said he wasn't familiar with the Resolution, but he was with the Bill.

Mr. Saylor said there was a concerted effort to have the Legislature decentralize State-operated Schools as related to on-base schools. He asked for Mr. Friese's thoughts on the matter as well as his Board's thoughts.

Mr. Friese said that their Board has consistently stated that State-operated Schools is a transitional district. It exists today in a form that it probably won't exist in the future. He said they had taken moves towards granting local control and increased decision making powers to local advisory school boards. Many things have been done to implement that plan.

Mr. Friese felt there was a question as to what decentralization meant. He asked if it meant 122 local schools and 22 base schools which were split up completely, or whether it was one umbrella service letting local areas make decisions as to whether they want to be independent school districts. He said they had had some vote to become first class cities and assume their own school responsibilities. Many areas are studying the possibility of becoming 3rd class boroughs.

Mr. Friese believed it was the Board's feeling that SOS should continue to provide services for local areas until such a time that they make the decision to go independent.

Mr. Friese said that this year when the possibility faces them of splitting from SOS and becoming part of the adjacent borough there seems to be a great deal of resistance to that move.

Mr. Warwick asked who he was speaking of. Mr. Friese replied that by "they" he meant the parents at Fort Richardson and Elmendorf who were opposed to mandatory inclusion in the Anchorage Borough. On the other hand, he admitted that Fort Wainwright felt strongly about going with the Anchorage School District.

Mr. Barber stated that the correspondence he was receiving indicated that most of the people felt they should go with the Anchorage School Board.

Mr. Barber said that the crux of the situation was really the question of what was best for the state and the local situation

Mr. Friese passed out the following position paper to the Committee:

## POSITION PAPER ON DECENTRALIZATION

The Board of Directors of the Alaska State-Operated School System has unanimously supported the concept of decentralization of educational services to the Unorganized Borough. Furthermore, the Board has repeatedly and consistently demonstrated this support through actions and deeds since its inception as a separate school system.

The Board position differs from the thrust of proposed legislation in one basic area -- that of implementation. It is the policy of the Board of Directors to permit the local school or local area to assume more local control, and thereby effectively decentralize the system rather than having the terms of decentralization thrust upon them.

Throughout the history of providing educational services to the people of the Unorganized Borough, it has been a case of one agency after another directing and dictating the methods and facilities assumed to be required. In all cases, these methods and facilities were determined by relatively uninformed agencies, because none of them ever attempted to obtain input from the people it was serving.

The Board of Directors of ASOSS has reversed this bureaucratic attitude and has actively sought suggestions, ideas and proposals from the people of the Unorganized Borough. Many people from many villages throughout the system have expressed their appreciation to ASOSS for its interest, and have said so to the various committees and panels which have been studying the problems of decentralization.

The Board feels that legislation to assist or to affect decentralization should support the basic premise that the local school or local area be permitted to move in these directions:

1. That the local people be given the right to select the specific method or vehicle in moving toward local control.
2. That the local people be given the option of determining the degree of local control they wish to assume. This degree is unlimited, they may choose to assume full control as an independent district or any lesser amount even to retaining the status quo.
3. That the local people be given an unlimited period of time to move toward local control, thus permitting each school or area to advance at its own rate.
4. That the local people be given the right to continue to increase their degree of local control as they develop the skill and experience levels required.

The Board of Directors of ASOSS is firmly committed to these basic principles and recognizes that the end result will be the eventual dissolution of the ASOSS as it exists today. The Board contends that to do anything less would be detrimental to education in the Unorganized Borough.

Mr. Warwick noticed that the position paper didn't equate itself with mandatory contracting with local school districts, but dealt with decentralization of bush schools.

Mr. Friese explained that the Board had been looking at the broad picture, and that was one method of decentralization, and that there were all degrees of it.

There was further discussion about the matter of decentralization. Finally, Mr. Saylor pressed Mr. Friese for an answer regarding whether he wanted them to pass this legislation. Mr. Friese said no, and added that educational and financial advantages to the State would result if the local districts stayed under SOS.

Mr. Ose stated that they didn't know who they were receiving the letters on the subject from. He asked whether they had taken studies of actual parents for these schools and received their feelings. Mr. Friese said no, and said that just before they left for Juneau they had been informed that they were working on a petition right now. However, he said SOS had nothing to do with this.

Mr. Ose asked if parents were signing the petition, and it was Mr. Friese's understanding that they were.

Mr. Saylor requested a copy of the petition after Mr. Friese received it.

Mr. Saylor asked for the testimony from the Department of Education.

Mr. Cole said that Education supported HCR 59 and added they had had some participation in the wording of the Resolution. He said it was based on a Center for Northern Education Research study which was partially sponsored by the Special Committee of the Legislature headed by Sen. Thomas. They believe that the study would support heavily the people in general going with the adjacent borough. He said they had no hard and fast numbers in terms of support to do this.

Mr. Saylor asked Mr. Lind if he had anything to add.

Mr. Lind said that they participated in meetings with the Anchorage School Districts and military representatives from Elmendorf and Richardson and a lot of points were raised which needed to be ironed out. He said that Mr. Bob Thomas had represented the Department in the Fairbanks Meeting last night. Mr. Lind said Fairbanks has been opposed to it because of the impending impact of the pipeline, and they claim they don't want to take on any additional responsibilities at this point in time.

Mr. Lind said that they already had statutory responsibility for it, and the adoption of this resolution would strengthen it. He thought it should be done, the sooner, the better.

Mr. Warwick wondered why they wanted to pass this resolution when they already have the authority they need. Mr. Lind said there were certain ambiguities in the present laws as related to the responsibilities of SOS and the Dept. of Education, and in view of the testimonies and discussions that have taken place, the resolution would be very helpful to the Department. In trying to bring together these reluctant participants it would be beneficial to be able to say this is the course that they would follow.

Mr. Cole said he had been there during the SOS presentation, and wanted to add that first of all, the on-base schools didn't have control over the educational programs. They have advisory committees. They have no more control than they will have if they contracted, maybe less.

Mr. Cole said that until somebody took a poll they wouldn't really be able to know who wanted to be contracted and who didn't, and he strongly suggested that it be done.

RECESS Meeting recessed at 9:55 A.M.

After Recess  
11:30 p.m.

Present:

All members were present with the exception of Representatives Ferguson and Specking. Also present were Speaker of the House Tom Fink; Representative Joe Orsini; Larry Jones, Clerk-Typist III in the Lt. Governor's Office; Ms. Dorothy MacKenzie, Director of Elections; Mr. Peacock, working on contract with the Data Vote system; Mr. Gabby, from the San Francisco Data Vote office.

HB 448

Chairman Freeman called the meeting back to order. The committee took up HOUSE BILL 448 (Appropriation to Legislative Affairs Agency -- computer bill history).

Speaker Fink testified in support of HB 448. He said that the Interim Government Operations Committee (chaired by Ms. Banfield who was unable to be present) and those members of Legislative Council with whom he has discussed the bill, are in agreement that the state should go to an automated system for keeping bill histories. They feel that some move needs to be made toward a more readily accessible method of reviewing what has been accomplished.

[Mr. Fink left.]

Mr. Orsini noted that the Finance Committee has been using computers with the budgeting process. There are a number of other areas in which other states have found computers useful in their legislative process. Some of these areas, Mr. Orsini said, include: reapportionment, printing of bills, index of pending legislation, and statute retrieval. He said that the Interim committee did some studies and 50% of the states currently have computerized bill histories. Another 20% have similar programs under development.

Mr. Orsini stated that HB 448 breaks the process down into three stages: development of a weekly reports system, operation of weekly reports, and development of a terminal inquiry system. He said that since introduction of the bill, there has been a lot of discussion and this has generated the proposed Finance Committee Substitute for HB 448.

[Mr. Specking came in.]

Mr. Orsini explained that the committee substitute combines the original bill but instead of designing a terminal system, which is very expensive, there would be a feasibility study on this and they would be looking at printed reports.

There are an infinite number of reports that could be made available. Two basic ones are a listing of bills sequentially, giving the history and status of each bill.- this would give the number, sponsor, brief title, and referrals; and the other basic one is a listing by committees.

3/7/74

Mr. Orsini noted that, of course, there are a variety of reports that could be made available -- the only limitation is how much the legislature wants to spend on the number of reports. The intent of this legislation is to design a flexible enough system that if additional reports are wanted later it wouldn't be necessary to rewrite the whole system. He stated that the committee substitute is acceptable to him.

Mr. Barber asked how this would relate to the two reports now furnished to the legislature by Ms. Hansen and Mr. Smith, and Mr. Orsini said that this would replace them. Last year the state paid \$20,000 to both of those for the legislature, not to mention what is paid by other state agencies purchasing the reports.

Mr. Specking asked what kind of time lag the computerized system would have, and Mr. Orsini said that there would be daily update, and then a whole new report on a weekly basis. Mr. Specking was pleased with that, as he stated that the reports he now receives are so out of date as to be completely without use to him.

Mr. Meekins asked for further explanation of the difference between the original bill and the committee substitute. He was told that the basic difference is that the operations cost has been cut out since the feeling was that this would be more appropriately included in the budget. Mr. Warwick said that the idea beyond the committee substitute had also been to give the operation of this to the Division of Finance rather than to the Legislative Affairs Agency as experience has led some of the members to believe that follow through is not too good in the Agency. In addition, members of the Finance staff have experience in working with EDP and have the ability to initiate something like this. Mr. Warwick asked Mr. Hogan, Director of Legislative Finance, if implementing this would create problems for his office, and Mr. Hogan said no.

In response to questioning about the cost of this operation, Mr. Orsini said that the legislature could have had it this session for \$400 a week.

Mr. Haugen moved and asked unanimous consent that HB 448 be replaced by Committee Substitute for House Bill 448. There being no objection, it was so ordered.

Mr. Haugen then moved and asked unanimous consent that HB 448 be reported out of committee with individual recommendations. No objection, so ordered.

A vote of the committee was taken, all members voting "DO PASS" on the committee substitute, with the exception of Mr. Ferguson who voted "no recommendation."

[Mr. Orsini left.]

3/7/74

After Recess  
3:00 p.m.

HB 171

Mr. Freeman brought up HB 171 which had been returned to the Finance Committee. He asked what the committee feeling was on the bill. A majority of the committee felt it should go back as it was.

Mr. Meekins said that he had the feeling that perhaps this bill is not the best vehicle for the depletion allowance and for an entire revamping of the corporate tax structure, but said that he feels this is something that should be done, and that if this is the only means available he will try it this way. However, if he could sense the committee's willingness to consider these matters in conjunction with another bill, then he would be willing to go along with letting HB 171 go in its present form. He made a pitch for the importance of the Finance Committee in taking some direction in developing an independent tax structure instead of the percentage of the federal which is now the system. He feels it would really show the Finance Committee to be a serious, responsible body if they tackled this problem.

After continued discussion, Mr. Freeman reminded Mr. Meekins that there has so far never been a time when a member has wanted to bring up a certain bill and the committee has failed to do so; and although he gave no guarantees, he appeared to be in agreement with discussing the matter of the tax structure and depletion allowance if brought up later with another bill. Mr. Meekins seemed satisfied with this. He suggested possibly HB 671 and Mr. Warwick agreed that that seemed to be a better vehicle for considering this.

[Chairman Freeman left, leaving V. Chairman Haugen presiding.]

HB157

HOUSE BILL 157 (Act relating to state aid to local governments) was brought up for consideration. Mr. Saylor moved and asked unanimous consent that the bill be reported out of committee. Mr. Barber objected. There was brief discussion and Mr. Barber removed his objection. There being no further objection, the motion carried. Motion was made to amend the effective date from July 1, 1973, to July 1, 1974. No objection, so ordered. On committee vote, HB 157 as amended was reported out of committee with a majority "do pass" recommendation. Not concurring were Reps. Haugen, Specking and Barber who voted "no recommendation."

SB 122  
HCR 59

At this time, Commissioner Lind of the Department of Education, Nat Cole, Deputy Commissioner, Stanley H. Friese, Superintendent of Alaska State Operated Schools, and interested members of the public were present for purposes of continuing this morning's discussion on SB 122 and HCR 59, concerning decentralization of SOS and more specifically, on-base schools.

In this morning's discussion, there had been discussion on the decentralization of the on-base portion of SOS, and a point had been reached at which there seemed to be conflict between the Department

3/7/74

of Education and SOS as to how this should be handled. Pursuing the subject further, Mr. Warwick asked Commissioner Lind if substantially all of the funding comes from PL874 monies. Commissioner Lind said that he would say as far as the military schools are concerned, 85 to 90% comes from the federal government and PL 874. The reason it is not fully funded for a given year is because payments are based on two years prior expenditures, so there is that lag. Mr. Warwick asked how that figure is determined. Mr. Cole said that you take the actual expenditures from two years ago, eliminating categorical federal expenditures, and divide it by the daily membership -- this gives the rate. Mr. Warwick noted that then there is an automatic deficit built in and Mr. Cole said that that is correct. Because of the inflationary trend of things, this increases the discrepancy. Should that trend be reversed, the amount would be closer to the actual.

Mr. Warwick asked when independent school districts take over the on-base schools, who will come up with the deficit. Mr. Cole said that they would figure no difference in the amount of PL874. Under a contractual arrangement the state would still be responsible. They would not anticipate a change in funding. Mr. Warwick asked if this means the money would come to the state and the state would contract with the school districts, and Mr. Cole said yes and that as he reads the resolution the district would receive 100% of the actual cost.

Mr. Warwick asked what the situation in Kodiak is now, and Mr. Cole said that they are getting 100% of actual cost. Mr. Warwick asked what if a community wanted to prorate some of their overhead into it, how would that be handled, and Mr. Cole said that that would be part of the contract. It would be an agreement, but figured on either a percentage basis or actual amount. What the Department would suggest mechanically is that they work out the best estimate possible, based on some formula, and then an appropriation would be made under the BRU entitled Finance Support Programs for the Military Operations, and then a contract would be written with the adjoining school district. The state would be underwriting 100% of the cost. It is their best estimate now that the amount of money in the Governor's budget for military schools would be sufficient to cover that if some 30% of the central offices administration is included.

Mr. Warwick asked Mr. Friese his feelings about all this. Mr. Friese said that the military schools aid the rural schools. If they had just rural schools in SOS, their average per pupil cost would be higher. The way in which the military schools help is that their cost is lower rural schools are higher. The two are averaged out in figuring 874 monies, and then SOS uses them as needed.

Mr. Cole said that the point should be made that as long as the SOS 874 report remains the same, the amount of dollars will be the same,

3/7/74

regardless of the organizational structure. He said that they are not proposing that the procedure be changed.

In response to questioning by Mr. Warwick, Mr. Cole said that it sounds like Mr. Friese is suggesting that there might be two different rates, one for rural and one for military -- and this is not the way the Department sees it. Mr. Cole said that all that will happen if on base schools are pulled out from rural schools is that the state will be underwriting the cost of whatever they get out of 874. The money will already be spent by the time it comes through. The budget will appear different but the process will not have essentially changed.

Commissioner Lind said that what is being proposed with the remaining on base schools as far as Anchorage and Fairbanks is concerned is no different than what was done last year with the transfer of the junior high school students. There has been no change in funding there, and it did not require legislation. It is only a matter of change in the administrative center. He emphasized that it is becoming much more complex than it needs to.

Mr. Warwick said that he has heard that this may jeopardize the source of PL874 funds, and he asked Mr. Lind if he gives any credence to that. Mr. Lind said no. He said that Alaska's preferential rate status should change if the bases become a part of the district because then they must be treated different in the computation. If they became a formal part of the Anchorage Borough School District, they would only be eligible for 50% and the money would go directly into the school district. Mr. Warwick asked how the annexation handled the schools, and Mr. Lind said that the legislature put in something about management and control of schools being under SOS until such time as the status of reservations changes or at the decision of the department.

Mr. Warwick asked if a military student goes to the Anchorage public school, what the school would get financially. Mr. Lind said that he would get Foundation money plus a tuition factor in lieu of local taxation and includes debt service. That part comes from SOS as a tuition payment. The Foundation Support funds would go directly to the district from the department.

[Mr. Meekins entered the meeting.]

Mr. Cole here explained that all the 874 money goes to the same place for convenience. In response to questioning by Mr. Warwick about a military non-resident going to the Anchorage or Fairbanks public school, Mr. Cole said that SOS would count him and get the preferential rate and then pay the district non resident tuition. Mr. Freeman asked how much non-resident tuition is and Mr. Cole said usually around \$500 but it varies from district to district.

3/7/74

In response to continued questioning by Mr. Warwick, Mr. Cole said that on military tuition students under the 874 count, SOS gets the money and they pay from \$350 to \$575 to the district. The difference is in the SOS budget as 874 receipts. Funds do not follow the student, he emphasized.

Mr. Warwick asked Mr. Friese why he felt it might not be in the best interest financially to go through with this. Mr. Friese said that he thinks there is a possibility of losing 874 100% preferential treatment. He said many people feel this would be circumventing the purpose of 874. Mr. Cole here interjected that there is always danger of losing preferential treatment. It is not a certain thing at any time.

Mr. Warwick asked if there have been any "eyebrows raised" over the Kodiak situation, and Commissioner Lind said no, nor have there been any negative responses to the secondary students going to the public schools.

Mr. Cole gave a brief history of the 874 monies. PL874 was passed somewhere in the late 40's or early 50's. It was passed primarily because of the military impact -- military reserves being built up in locations where there were school districts, children were being sent to the schools, but the military did not pay any local taxes. PL 874 was the result of a decision to relieve the impact in those areas by paying what the local school district would be paying -- or 50% of the cost. Determination was made that if a student's parents live and work on federal property, then 1/2 of their educational costs would be paid. (This is the "A" type). If the parents only live on federal property or only work on federal property, then half of the "A" figure would be paid (This is the "B" type). Then, taking this one step further, in areas where that impact is very great and where the schools are run not by the local school district established as such but by the state as a whole, the argument follows that the state cost is the local cost and the local cost is the state cost - and should be 100% funded. That is an administrative decision that is made in Washington, D.C., and is subject to change at any time.

In response to questioning by Mr. Warwick, Mr. Friese said that he thinks that when SOS was created it was created as an ideal district to fit this time in Alaska. There is the opportunity to decentralize SOS in Alaska. The full energy of SOS thus far has not been able to be directed toward this but they are moving toward it. He said that he believes that a part of this is to increase the responsibility and decision making capabilities of the advisory boards. He said that he believes now they are nothing but advisory boards, and he understood that the administration of SOS could or could not accept what they said. He stated that the advisory boards are being granted increased responsibility.

3/7/74

He referred to Bethel, and said that they now have a new function. They have a policy manual and are implementing the SOS Board policies there. The major thing they want is selection of teachers. SOS does not have to allow this, but they have and it has worked out very well. Mr. Friese's emphasis seemed to be that this autonomy to boards will be granted as the areas show that they are ready for that responsibility. He emphatically stated, however, that although he recognizes a need to move ahead more rapidly, they are moving ahead and it is working very well.

[Mr. Saylor left.]

Mr. Warwick questioned the commissioner, noting that he (Mr. Lind) has been a proponent of the resolution, about how it will benefit those who need to be benefited and about why the resolution is needed.

Commissioner Lind confirmed that he is indeed a proponent of the resolution and said that there seems to be some question about what is involved. He said that there are now three systems of education in the state. It is the desire of the Department of Education that there be only one instead of these three different parts. He said that where it is possible for a local government to be running a school, he doesn't think the state should be.

He said that the resolution is not needed if the Department's interpretation of the law is correct. They can bring the communities together and enter into a contractual arrangement with them. If the state can in fact do this, the question is raised, what is the function of the state agencies in bringing about this local control. He said that the Department's first concern is consistency -- they want one system only. They believe in borough/city form of government for running schools and they are trying to bring about a system that will help this to happen. Passage of the resolution would indicate legislative support and direction in this matter; it is a philosophical question and should be seen as such, he felt.

Mr. Guthrie felt that another way of clarifying the difference between the Department and SOS is by hearing how each of the two would envision the school system in 10 years.

Mr. Friese said that he felt by that time rural schools should be independent and that SOS would consist of military schools. He indicated that this is the general sentiment of the military community, too and that some very strong feeling has developed for keeping military schools under SOS.

3/7/74

Commissioner Lind indicated that he has seen some of the information that was circulated on base about this and felt that it was misleading. He said that had he known only what was presented, he as a parent would have been opposed to this internal change, also.

[Chairman Freeman returned to the meeting.]

Mr. Lind said that he thinks a number of steps are going to have to be taken if the state wants one system of education, and in ten years he said that he would like to see all military schools run by cities and boroughs.

At this time, Bob Cooksey of NEA spoke. He said that he has a concern about the military running a school system. He said that he is aware of decision making processes in military establishments and feels that an elected school board running schools on base would be a very different operation than a regular elected school board. Referring to Mr. Friese's position on the future of SOS, Mr. Cooksey said that he feels that going ahead with the SOS system just being an on-base operation is counter to the position that had been discussed last year. He said that the Board was set up with its purpose being to bring local control closer to home and he said that he doesn't see local control a lot closer to home yet. The closest thing to it is that there are now rural members on the Board. He said that NEA does support the resolution as a further decentralization of SOS.

Mr. Warwick noted that if the state does contract with local school districts, he would assume that a big issue would be representation on local school boards. Commissioner Lind said that this is one of the most complex and emotional issues involved. Looking at it historically, there is no way that military representatives can have voting power on an elected school board, but he feels very strongly that the Anchorage School Board (and/or any other school board) could come up with a way the concerns of military parents could be heard and taken care of. Mr. Cooksey added that if the military choose to register and vote as Alaskans, then they could have the same input as any other parents and that that arrangement is in keeping with military installations throughout the country.

After some further discussion, the meeting adjourned at 4:40.

3/7/74

HOUSE FINANCE COMMITTEE

March 7, 1974

3:55 P.M.

PRESENT

This was a Sub-committee Meeting between Representative Meekins, and Mr. Meekins Sr. and Mr. Fackler regarding HB 559.

HB 559

Rep. Meekins asked Mr. Fackler for his comments on HOUSE BILL NO. 559 (An Act relating to compensation for the taking of rights-of-way leases).

Mr. Fackler said they really had no particular problems with it. He understood it was a bill to take care of some conditions that have come up where they have given a lease to a person who takes it and does something with another part effecting the right-of-way which turns out to be bigger than anyone thought it would be.

Mr. Fackler said that Mr. Hogan had asked about a fiscal note on the bill, but he said they didn't see that it would result in additional cost except for what the settlement might be.

Rep. Meekins said he had just wanted to make sure Mr. Fackler didn't have any problems with the Bill, and Mr. Fackler reiterated that there weren't any.

3/7/74

HOUSE FINANCE COMMITTEE  
March 8, 1974  
Friday  
8:30 a.m.

Present: All members with the exception of Representatives Ferguson and Saylor. Also present were the following: Milt Barker, House Fiscal Analyst; Mr. Lee Dalby, Director, Employment Security Division, Department of Labor; Mr. John Messenger, Department of Labor; Representative L. Wilson.

HB 600 Chairman Freeman called the meeting to order. The Committee considered HB 600, an act making a special appropriation to the Office of the Governor in the amount of \$50,000, for the purpose of making a film to be distributed throughout the nation to relate the employment situation in the state with regard to the pipeline.

Mr. Dalby told the Committee that the Department of Labor has received many thousands of letters from all parts of the country with regard to employment opportunities in Alaska as a result of pipeline construction.

Mr. Dalby stated that there are three radio broadcasts put on through the manpower training section which inform the public of true job conditions in the state. He added that the Department of Labor had an agreement with the Department of Revenue to train the Revenue people at Tok Junction to provide any people coming into the state with information regarding where they should go, what financial conditions existed in the state, what they people should have for finances, what weather conditions they should expect, and the housing situation in the state.

Mr. Dalby said his department has developed forms of letters which are sent out to various agencies in the country describing the employment situation in Alaska. Mr. Dalby said he "appreciated" the bill; anything that can be done to address the situation to prevent people from coming to Alaska now is very worthwhile. Mr. Dalby added that there will be enough workers in Alaska to handle the majority of occupations that will be necessary on the pipeline; the unions say they have enough people.

Mr. Messenger told the Committee that following the 1964 earthquake and the flood, there was a dramatic influx of people coming to the state seeking employment. He said the state can anticipate the same situation with the pipeline construction. Many of those people coming into the state arrive with no return money and cannot find employment. Everyone must make an effort to discourage employment.

3/8/74

Mr. Dalby informed the Committee that the Research and Analysis Section in the Department of Labor had made a study, the results of which indicated that the unemployment rate at the time of full pipeline construction impact will be higher than the unemployment rate at the present time in the state. Mr. Dalby said that now, the percentage rate of unemployment is 10+%; in the future, the figure will jump to 11% to 13%.

Representative Meekins asked Mr. Dalby if he felt that border stations used to discourage people coming into the state were effective. Mr. Dalby stated that they were effective to some degree. He added that the Canadian border stations require people to show proof of financial credibility in the amount of \$250; credit cards can even be used for this purpose. Mr. Dalby said this would present a big problem for the state, because \$250 would not go very far at all.

Mr. Messeneger said that in most cases, it is impossible to discourage immigration, but at least border points can provide people with information regarding the direction they should follow; Representative Haugen said that people coming into the state will represent many who do not want to work and will create a drain on the state's social services, benefits, etc.

Representative Warwick asked Mr. Dalby what his opinion was regarding the film. Mr. Dalby said that anything the state can do to discourage people from coming into the state at this time would be helpful. Representative Warwick then asked Mr. Dalby if the Department of Labor could handle the film. Mr. Dalby said that technically, they cannot; he added that he did not want to handle it.

Representative Meekins pointed out that there were many people who could not be stopped at border stations and discouraged from coming into the state; by that time, they have already made up their minds. The film, however, which will be a documentary, will be distributed by the television media and will have an effect on those people who have not yet made up their minds about moving to the state.

Rep. Meekins then referred to many articles and pictures printed by various newspapers in the country which described Alaska as the golden land of opportunity during pipeline construction. He also mentioned the advertisements which offered jobs to those wanting to work in Alaska on pipeline construction. Rep. Meekins said that this film would counteract any of those misleading articles and advertisements.

Mr. Dalby then stated that the Department of Labor was keeping in touch with the postal authorities regarding any "postal fraud" dealing with pipeline jobs, and the department is also keeping watch out for any misleading advertising in the news media.

Rep. Specking said that for the film to have any effect at all, the state must have total "saturation" on national television time. He then said he did not believe there is that much of public service time allowed for such a film. Rep. Freeman said that he thought the film's production should be taking place right now; is it too late to commence production? He also wanted to know how long it would take to make the film and distribute it.

Rep. Warwick pointed out that the film will be useful for a long period of time. The pipeline will continue construction over the next two to four years. He also stated that this film would be contemporary and a high quality one. Rep. Warwick stated that the film produced by the Department of Economic Development to promote tourism cost \$60,000 and was shown throughout the United States and had a viewing audience of 10 million.

Rep. Meekins told the Committee that the film would be 30 minutes long and would be in the form of a documentary. Clippings from the film (1 minute to 15 minutes long) can be taken from the movie and shown on news programs, television and radio talk shows, etc. Rep. Meekins stated that it will cost \$100,000 to make the movie a high quality one; it will cost \$50,000 for the proper distribution. He added that with a high quality movie, you can get \$1,000,000 worth of public service time.

Representative Specking said he was concerned about distinguishing between tourists and those people coming to the state for employment reasons. Rep. Meekins told the Committee that he had also been concerned about this problem, but he had talked to the Department of Economic Development and had voiced his concern that this film might effect tourism as well. The Department of Economic Development had told Mr. Meekins that they were concerned about trying to encourage the people with money in their pockets, while the film would attempt to reach those people without money and who would be seeking employment.

Representative Warwick moved and asked for individual recommendations that HB 600 be reported out of committee, as amended (increasing the original \$50,000 to \$150,000).

Brief discussion followed regarding which department would handle the appropriation; Rep. Meekins thought the Department of Labor could handle this project. The Committee decided to leave that question open.

Representative Warwick renewed his motion; the Committee Report was signed as follows: Mssrs. Freeman, Meekins, and Warwick "do pass"; Mssrs. Ose and Specking "no rec"; Mr. Haugen "do not pass". And so, HB 600 was reported out of Committee.

Recess: There being no further business at this time, the Committee recessed at 9:00 a.m.

HOUSE FINANCE COMMITTEE  
March 8, 1974  
1:30 P.M.

PRESENT

All members of the Committee except Representatives Saylor, Meekins, Ferguson, and Specking (Mr. Specking arrived later in the meeting). Senators Groh and Poland were also present representing the Senate Finance Committee. Mr. Ed Dodd, Chairman of the Governor's Advisory Board on Pioneer Homes, and Mr. Gore, also of the Advisory Board, were present to testify. (Mr. Pat Lloyd, Grand President of the Pioneers, and Mr. Howard Bradshaw, Superintendent of the Pioneer Homes, both arrived later in the meeting.)

Alaska  
Pioneer's  
Homes

Chairman Freeman called the meeting to order and said they would be discussing the Pioneer Home situation. He asked Mr. Dodd to begin his testimony.

Mr. Dodd explained that two years ago a bill had been introduced and an appropriation granted for Pioneer Homes. He said they had been successful in getting things started. Mr. Dodd explained that the House had passed a Bill which appropriated \$7 million for a Pioneer Home in Anchorage, but in the Senate \$1.75 million was ripped off for Palmer and another \$1.75 million was ripped off for Kotzebue. This caused them to run short of money on the Anchorage Home. Thus, they had to do the program in two phases. The first phase would build 42 rooms at \$4.25 million. the 150 bed proposal in the second phase they would have to come back to the Legislature for more financing.

Mr. Dodd said they thought it justifiable to ask for the money to complete this at one time rather than delay it for five years. The way costs are going, he said it would probably be 50% more for the second phase five years from now. As far as the Advisory Committee was concerned, they were terribly interested in getting the funds to complete this. He added they would want to avoid, if possible, any amendments that would take from this.

Mr. Dodd went on to say that Kotzebue needs another \$540,000 to complete their Home, and the Palmer architect says they are \$565,000 short for completing that Home. He thought maybe they should add that into their request or put them in a separate bill in order to keep them from being amended into the Anchorage amount.

Mr. Warwick asked if there was a bill before them on the matter, and Mr. Dodd said not at the present time, but they were hoping that one would be introduced.

Mr. Dodd summed up the amounts needed as: Anchorage Pioneer Home - \$6.4 million, Kotzebue Pioneer Home - \$540,000, Palmer Pioneer Home - \$565,000.

3/8/74

The thought occurred to Mr. Haugen that the two regional high school dorms at Bethel and Nome might be unoccupied now. He was wondering about taking the money out of Kotzebue and putting it into Anchorage and using those unoccupied dorms for temporary Pioneer Homes.

Mr. Gore said that in addition to taking advantage of building while the prices were at their lowest, they were also looking at another need in Anchorage. Four years ago there were 450 people who would have been eligible for admittance into a Pioneers Home there. The first phase was going to provide 42 beds. However, it is also going to provide the service core for the total building. Out of the people eligible in Anchorage, not quite 1/10 will find a place in the Home.

Mr. Freeman asked about the requirements to be eligible. Mr. Gore replied a person had to be 65 years of age and 15 years resident in the territory.

Mr. Freeman asked if there was a financial criteria. Mr. Dodd said no, that if the need was great enough, they would take them. Mr. Gore pointed out that a person can go into the Home and pay his own way if he has the funds. Otherwise the State will pick up the tab.

He went on to say that if a person goes into the Home, the State incurs lean rights based on expenditure for care. At the time this guest should die, the lean rights against him are used. He added that they didn't dispossess his widow from her home, however, should she sell the home, or die herself, then they would exercise their rights.

Mr. Dodd said that would happen only in the event the person didn't pay while he was there.

Mr. Gore noted that Social Security Checks and Pioneers bonus checks were turned over to the administrator of the Home and from this his monthly cost is deducted.

Mr. Bradshaw pointed out that there were around 5,000 people in the State who were eligible for admission under the present statute. In addition there were about 2,500 other people in the State 65 or over and he didn't know what percentage of them would become eligible.

Mr. Bradshaw said that if they didn't get the \$6.4 million they were requesting now, it could easily end up being more in the future. He felt that everything indicated they should proceed to build now.

Mr. Ose asked if Palmer's extra wing was going to be started this spring. Mr. Bradshaw said that according to the Architect they were \$565,000 short of starting.

[Mr. Spocking arrived at this time.]

3/8/74

Mr. Freeman asked whether this was bond money, and Mr. Barber told him it was ASHA bonds.

Sen. Groh asked who selected the architects, and Mr. Bradshaw said that it was his understanding that it was the Commissioner of Public Works.

Sen. Groh asked why they had had the two year delay. Mr. Dodd said that for the first year and a half the Architect that had been hired didn't do a thing on it.

Mr. Barber added that the Administration decided that in view of the large expenditure they should have a survey and study of this whole project for the State to see that it was handled properly and this study took a year and a half.

Mr. Bradshaw said that the main thrust of the study was that they couldn't build Pioneer's Homes until somebody said the business was there. This somebody had to be a professional group. The result of the study was that the Pioneer's Home was needed. Then they ran into the second problem. They had thought they had an architect for a year, and then he just threw up his hands and ran away. From the start to the time they actually had an architect working on it, it took one year and eight months.

Sen. Groh asked how much the study cost. Mr. Gore said \$25,000.

Mr. Ose asked about the Kotzebue Home. Mr. Dodd said there were problems there. The Advisory Board doesn't really agree with what has happened. It has been designed more as a Community Center than a Pioneer's Home with a snow mobile repair shop, a fish smoking place and a skin tanning area. They already have \$1.75 million and they are asking for an additional \$540,000 more to complete the 14 beds. He said it was clear out of line as far as he was concerned.

There was much discussion about the Kotzebue Home problem. Mr. Gore had a letter from the Kotzebue City Manager on the subject which he let several members of the Committee read.

Mr. Bradshaw handed out a copy of project cost estimates for the Anchorage Pioneers Home.

There was further discussion of the Kotzebue Home. Sen. Groh suggested that somebody from the Division of Buildings bring plans over for the Kotzebue Home at some future date.

Mr. Gore said they would like the Finance Committee's blessing on the Anchorage Pioneer Home supplemental and to have somebody go ahead and submit a bill asking for additional funds.

3/8/74

Mr. Freeman said that if such a bill came before them they would give it serious consideration.

Chairman Freeman said that the next item on the Agenda was HOUSE BILL NO. 425 (Knik Arm Crossing). However, Commissioner Campbell from the Department of Highways would not be able to attend the meeting, and the sponsor of the bill couldn't make it either. He asked if there was any objection to postponing the bill. There was no objection.

Chairman Freeman told the members there would be a Joint House/Senate Finance meeting at 10:00 the following morning to discuss direction.

ADJOURN

Meeting adjourned at 2:45 P.M.

3/8/74

HOUSE FINANCE COMMITTEE

March 11, 1974

8:35 A.M.

PRESENT

All members except Representatives Saylor, Ferguson, and Meekins (Mr. Meekins arrived later in the meeting). Mr. Bob Gates, Benefits Administrator for the State, was also present.

HB 238

Chairman Freeman called the meeting to order and said they would be hearing testimony on HOUSE BILL NO. 238 (An Act to include honorable wartime military service in computing retirement benefits for state employees).

Mr. Gates referred to the fiscal note they had prepared on the Bill, which basically laid out the costs of such a bill. He said the purpose of the bill would be to provide up to five years of military service credit on the PERS System where it wasn't related to employment. Under the present statute, if a person left State employment and went into the Service, and later returned to State employment, he could receive military service credit. The difference here is that all people would be able to pick up credit for service up to five years. Mr. Gates said that would be \$471,500 for FY 75 at .41% of the covered payroll.

Mr. Gates added that this assumed that the basic benefit formulas are as they presently read. Any changes in them would have an effect on this bill as well as many of the other retirement bills.

Mr. Ose asked how the bill would be effected if amended to include those already retired. Mr. Gates replied it would have an impact, but he didn't think it would be significant.

Mr. Barber asked why it specified five years. Mr. Gates said the bill was introduced that way because it related to the present statutes which includes only five years for employment connected military service.

Mr. Ose noted that for outside employment, they could only apply five years also.

Mr. Gates pointed out it would effect someone with maximum vesting.

Mr. Barber asked if it would effect the legislators also, and Mr. Gates said yes, if they elected to participate.

HCR 59

Chairman Freeman thanked Mr. Gates for his testimony, and said they would go on to discuss HOUSE CONCURRENT RESOLUTION NO. 59 (Relating to the operation of schools on military reservations). The following people were present to testify: Mr. Marshall Lind, Commissioner of Education; Mr. Bob Thomas, Deputy Commissioner of Education; Mr. Elliott, representing the District 1 Educational System; and Mr. Bob Cooksy, of NEA.

Mr. Warwick said he had come up with some changes on the Resolution, and he wondered what Mr. Lind and Mr. Thomas thought of them. The first change was on page 2, line 3, and it would make it read "... the Department of Education with the consent of the independent school districts may require that cooperative agreements be entered into between school districts to promote more efficient and more economical educational services;". He asked whether there would be any problems with that.

Mr. Thomas said it was the philosophical position of the Department that they would not require unwilling cooperation because it wouldn't work. He noted that the word "may" was used, so as far as the Department was concerned, it was not a mandate, and would not be a mandate. Therefore, they would have no problems with the amendment.

Mr. Warwick said his next change was on page 2, line 24 which would read "(2)...no additional tax revenues of a city or borough school district will be required for the operation of schools on the military reservations and that they will be fully compensated for all additional costs incurred;". He asked whether they expected that to get them into any trouble, and Mr. Thomas said no.

Mr. Warwick went on to say he had received a copy of a letter from the Elmendorf Advisory School Board signed by five members which had been addressed to Mr. Benson, Chairman of the Board of Directors of SOS. The letter indicated they weren't very happy about the proposed change. He said Mr. Thomas had mentioned the day before that there had been a campaign to oppose this on the bases, and that they were probably led to believe something would happen that wouldn't happen. Mr. Warwick said this put them in a predicament. He was somewhat adverse to imposing his will on a lot of people that don't want it, even though he thought his feelings were right.

Mr. Thomas asked what the basis of their discontent was, and Mr. Warwick was not really sure. He showed them a copy of the letter.

Mr. Thomas read the letter, and commented that part of their fear is that they have a more favorable parent/teacher ratio on the Base than Anchorage has. They also have a particularly good special education program, and they want that held intact--He didn't think they had anything to fear there, as far as he understood. However, their real reason, he thought, was that they wanted to remain independent.

Mr. Specking thought that the military felt they were running a little tighter ship. He said they tended to be more conservative and a bit more controlling. He didn't know whether this was true or not, but he thought they believed it was.

Mr. Thomas said they were concerned about military unity. They like to have a pretty standardized curriculum so when they move and travel, it won't be all that different. Whereas, local communities run programs to meet their own needs and are not as standardized as the military.