

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2553

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Mr. Barber questioned the need for the Resolution. Mr. Warwick said they could do it without the Resolution, but with it they would have the necessary mandate--someone telling them what to do.

Mr. Barber said most of the letters he got were in favor of it, but added that he didn't seem to get any from private individuals.

Mr. Warwick said they were expecting a petition from private individuals later today. However, it appeared to him that the lines were cut: the teachers and the department of Education want it and the parents don't want it, while the local school districts are somewhat skitterish about it.

[Mr. Meekins arrived at this time.]

Chairman Freeman asked Mr. Elliott if he wanted to say a few words.

Mr. Elliott said he was from the District 1 Educational System and represented teachers on the base and also local teachers--a total of around 1,000 teachers.

Mr. Elliott said he had attended the Fairbanks meeting, and the basic position of the Borough School Board was they simply wanted one year more to assess impact of the pipeline and the effect on the school district. Mr. Elliott saw no problem with the Resolution as it was, in giving them that additional year.

He said that Wainwright was completely different from Elmendorf in that they were pleading to get into the Borough system. One of the points made by Wainwright was the accessibility of the Board. Mr. Elliott said that could be applied to Elmendorf very easily since there were bi-monthly meetings in Anchorage, which would be very easy for them to attend.

Mr. Elliott said that SOS in its current status was impossible to administer. He said he had taught for eight years in SOS schools, in both base and rural schools. He said they couldn't make a case for continuity in the lower grades because of the turn-over problem. However he said there should be continuity between upper levels and high school.

Mr. Elliott said there were two superintendents for the on-base school. If they applied that formula to the Anchorage area, there would be 18 superintendents.

Mr. Elliott said the teachers had taken a poll in the Fall, and so had the parents. The teachers' results had been overwhelmingly in favor of contracting with the borough--89% of the teachers.

Mr. Elliott said that the Anchorage Borough System was one of the most responsive boards in the Country. They let local areas have the types of programs they feel most desirable. He thought that if the military schools wanted to keep the types of programs they have now, the school board would allow it.

Mr. Elliott pointed out that there is an annual review of contracts by the Legislature and the Governor, and he was sure the interests of the parents would be high in the minds of both.

Mr. Elliott felt that this Resolution by the Legislature would serve to clarify the statute.

Mr. Barber asked if he favored merging with the Anchorage School District, and was told yes. Mr. Barber then asked if it would be to the advantage of Elmendorf and Fort Richardson schools, and Mr. Elliott thought so. He added that he thought all of the points made in the letter could be dealt with.

Mr. Warwick asked to hear what Dr. Joshua Wright thought about it.

Dr. Wright thought it was a marvelous idea. He said it would benefit the kids, the State and the District. It would also eliminate a lot of administrative hang ups and reduce the cost tremendously. He thought it was hard to justify having two superintendents on base. He said it would take care of a lot of problems they were having with the teachers.

Mr. Warwick said that the people on base don't pay taxes to the State. He thought if they needed a way to rationalize the thing, this could be a factor.

Dr. Wright said that part of the problem on the base was one of power. He said their Advisory Board has almost as much power as the Anchorage School Board.

Dr. Wright said that Fairbanks Borough would get the benefit of the extra classrooms on Ft. Wainwright, and noted that Fairbanks was screaming for classroom space.

Mr. Barber understood there was classroom space available at Elmendorf, and wondered whether the Anchorage School Board could fill these vacancies.

Dr. Wright said there were currently 30-35 empty classrooms because the jr. highs on both bases transferred to the Anchorage School District. He said there might be some problems with bussing students onto the bases because of security, but said they could put the jr. highs back on the bases.

Mr. Thomas said that at Elmendorf there were already 200-250 students coming from the South, and there has been no difficulty because of security.

Mr. Haugen suggested they carry the thing a step further. He wondered how much money they would save if they wiped out SOS. Mr. Lind could not say off the top of his head, but he assumed that a considerable

amount could be saved just in this military operation by getting a handle on what the central office costs, and so forth.

Mr. Lind went on to suggest to Mr. Haugen that this same concept could be explored in his own area where there were a number of logging communities who are all sending their high school students to Ketchikan, which was in close proximity, yet the schools are being run out of Anchorage. He thought that a contractual arrangement made sense.

Mr. Haugen asked why they couldn't just get rid of SOS. Mr. Thomas said that if they really wanted to do away with the whole system, they should look at Finance Committee Substitute for SENATE BILL NO. 122 which would split the entire state up into service areas and would in effect organize it under local control.

Mr. Lind said he had indicated the other day that he felt very strongly about this matter for a variety of reasons. He said he felt they do everything possible in Alaska to move towards one system of education.

Mr. Elliott said that passing the Resolution would be the first step to decentralization. He said that his group supported SB 122 last year, and they continue to do so now.

Mr. Warwick started to make a motion, but Mr. Guthrie thought they might be interested in looking at Senate Concurrent Resolution No. 25 which was essentially the same bill except it referred to the Department of Education and the Borough School District instead of SOS and the School District.

Mr. Lind explained that the concern there was to attempt to have a contract between two parties rather than three. He said it didn't change the funding at all, but was just a matter of money falling into a different account.

Mr. Warwick asked whether the Senate resolution might be a little more workable, and Mr. Lind said yes.

Mr. Warwick thought the Senate resolution might be the best way to do it, providing this level of funding would not adversely effect the State of Alaska.

Mr. Lind said that in the computation of 874 funds, the bases are included with the rurals for determination of the rate, and he thought close analysis might reveal that some of the money coming in as a result of military students is going out to rural areas. He would like that same arrangement to be maintained.

Mr. Guthrie said that this language may make it more difficult to take more than 20% out of the central office. He explained that SOS has set up a ratio of 80% rural and 20% military.

Mr. Meekins asked why education for the military had an impact on the General Fund.

Dr. Wright explained that the Federal Government gave us 100% of what the cost was two years ago. They never catch up, and at best they pay 95%.

Mr. Meekins wondered how the money could be channeled out to the rural areas if there was no extra money.

Mr. Guthrie explained they are taking the benefit by combining the high cost of the rural and the high numbers of the military and averaging it.

Mr. Warwick said it should help though, because they would be reducing the low cost of on base schools.

Mr. Wright said that when the military left they wouldn't be able to get \$1500 and spend \$1000.

Mr. Coosky, of NEA, thought that the concern they were speaking to here would not be a result of contracting, but a result of military pull-out which could happen with or without a contract. Also, he said that the amount that comes to Alaska from the federal government would not be effected by contract.

Mr. Cooksy went on to say that the number of students in the rural schools is comparable to those on base now. If the military number was reduced than the ratio would be different. He said that the figures now were \$1700 per student on base and \$3500 per student in the rural. The average is \$2600. If the military pulls out, they would be reporting something closer to \$3500, so reimbursement would not be hurt so much as it first appears.

Dr. Wright said that if that happened, the federal government would audit and some of that \$3500 wouldn't stand up.

Mr. Meekins commented that the contracts should provide for a level of funding that would not adversely effect rural education in Alaska.

Dr. Wright said that was the concern. He said that by sticking that in the resolution they could be laying the foundation for a class action suit.

Mr. Meekins asked why, and Dr. Wright said that if they come along later and say they can't afford the average of \$3500 and reduce the level of spending to \$3,000 after already saying they wouldn't do that, there would be cause.

Mr. Meekins said it was only a resolution. Dr. Wright said an attorney would go into Court and say it was the intent of the Legislature.

Mr. Warwick moved that they pass Finance Committee Substitute for HCR 59 from Committee and that the Committee Substitute incorporate the language from SCR #25am with the adjustments he had mentioned earlier. There was no objection, it was so ordered.

Mr. Warwick then moved that on page 2, line 26, they remove the phrase "provided that this level of funding will not adversely affect rural education in Alaska". There was no objection, it was so ordered.

It was decided that they would sign the Committee Report the following day when they had the typed Committee Substitute before them.

RECESS

Meeting recessed at 9:45 A.M.

After Recess  
1:30 p.m.

**Present:** All members were present with the exception of Representatives Saylor, Warwick and Meekins. Also present were Mr. Robert G. Dwyre, Deputy Commissioner of Public Works; Mr. John E. Benson, Director of the Division of Buildings; Mr. Everett Simpson, Architect for the Division of Buildings; Mr. Joe La Rocca; Rep. Union; and Bob Jacobs of Budget and Management.

**Pioneers'  
Home -  
Kotzebue**

Chairman Freeman called the meeting back to order at 1:30, explaining that the purpose of the meeting was to continue discussion on the Kotzebue Pioneers' Home.

Mr. Benson said that the Department of Administration and the Pioneers' Home Advisory Board met some time ago and Public Works was directed to work up a program for the Kotzebue Pioneers' Home utilizing direct input of the local people in Kotzebue. In January there was another meeting to confirm the input from the Board and from the people of Kotzebue. The schematics for the Home are now complete and the Division of Buildings is now into the next stage of developing the working plans.

Mr. Freeman explained to Mr. Benson that the reason for the meeting is that in a meeting March 8 with the Pioneers' Home Advisory Board, some questions were raised as to completion of the job and the feeling on the part of Mr. Dodd that \$500 to \$600,000 additional would be needed to complete the job. His feeling was based on a letter sent by the architect to Senator Hensley. Mr. Freeman said that what Mr. Dodd seemed to be saying is that if the legislature did not come up with this additional money, there would not be much of anything in the way of a Home provided for the money that is already being put in.

Mr. Benson said that the present money will give a base core and rooms for 18. It is so designed that it can be added on to at any time. Mr. Freeman noted that with only 18 beds provided, that is about \$100,000 a bed. He felt that that was a pretty exhorbitant cost.

Mr. Dwyre showed the committee the schematics for the facility. He pointed out that the area the beds occupy is a fairly small area. The cost of the building is \$105 per square foot. This puts the "per bed" cost Mr. Freeman pointed out in a little better perspective. Mr. Dwyre repeated Mr. Benson's statement that the Department had been directed to utilize maximum input from the local people. He noted that there are some departures in this facility from the other pioneers' homes in the state, and those reflect the

desires of the people of Kotzebue. The Department has tried to incorporate the wishes of the community and although some of the features may seem strange, this is what they want.

Mr. Freeman asked if this building is supposed to be built with ASHA money, and Mr. Benson said yes. Mr. Freeman asked if the design has to be approved by Budget and Audit and Mr. Benson said no.

Mr. Freeman asked Mr. Dwyre if he thought there was any chance that Budget and Audit would ever approve a plan like this and Mr. Dwyre said that he would prefer not guessing. He said that he does not recall any other circumstances when a facility of this type has been requested. Mr. Ferguson stated that the initial funding was approved by Budget and Audit,

Mr. Ferguson stated that in his area, they feel that it is very important that the old people have a way of expressing themselves, that they be a part of the community. Their feeling is to have this Pioneer Home as an education center -- a place where the old will teach their skills and knowledge to the young. This is the emphasis of this particular facility and is what the people want from it. The cost of the facility was never really debated. The \$1.75 million for the facility came through the Free Conference Committee in 1972. There was a bill then for a Pioneers' Home in Anchorage for \$6 or \$7 million and, whether good or bad, in Free Conference Committee \$1.75 million was taken off that for a Home in Kotzebue and in Palmer. This figure, then, is a purely political one, he said, and not one based on certain plans. The community has gone from there in developing what it is that they want of such a Home.

Mr. Freeman said that he approves of the concept of Pioneers not being removed or disassociated from the rest of the community, but he just feels the price of this particular facility is high.

Mr. Ferguson said that he feels that the point is that this is what the community wants. This is not someone else's choice.

Mr. Specking, before beginning a discussion on the processes involved in public building in the state, stated that he wished his comments not to be associated with the Kotzebue facility, because he does not see the problem as exclusively relating to this facility but to the manner in which public building in the state is carried on in general. He asked who the architect is for the Kotzebue building, and Mr. Dwyre said the Arctic Architectural Engineering Company of Alaska, a Fairbanks firm. Mr. Specking was upset that the architect is allowed to consistently come down with plans which are higher than the amount allowed for a project. Mr. Dwyre said that the trouble area is when a desired program cannot be accomplished with the initial money. The Division of Buildings has then to decide whether to come in for

more money or to direct the architect to redraw the plans at a modified level.

Mr. Specking felt that the latter alternative is chosen too infrequently. He asked when the state is going to stop the continuous expansion of program plans for a building, which force the state to come in with more and more money. He felt the taxpayers and the state are being raped by this kind of fiscal mismanagement. Mr. Benson said that the facility being discussed at present will be paid for with the present funds available. The only additional cost will be if the additional rooms which Mr. Dodd wants are added on.

Mr. Ose asked how many people are waiting to get into the Kotzebue Home. Mr. Benson said that he is unsure but that it is his understanding that the 18 beds planned for the current structure will be sufficient to meet the present need. Mr. Ose asked more about the structure of the bedroom space. Mr. Dwyre showed the committee plans for the site of the facility -- indicating that the native hospital is right next to it. There are empty beds in the hospital and it is anticipated that those Pioneers needing hospital-type care will remain in the hospital. They expect the beds in the Home to be filled by people who are almost all ambulatory. Mr. Benson said that the size of the facility as designed is 12,000 square feet, with 3,000 square feet used for the bedrooms. Mr. Ose said that it is his understanding that this was to be used for a Pioneers' Home and this sounds to him more like a civic center.

Mr. Dwyre pointed out again that it is not the role of the Department of Public Works to rule on whether or not a facility is best fulfilling its function. The Department receives a desired program and it is the function of the Department to then prepare plans and find an architect to carry out those plans within the financial limits. For various reasons not all of the desires of a particular program are met -- i.e., fire code requirements may require some changes, etc. - but within those limits, the Department tries to carry out the program goals. It is not for the department to agree or disagree with those goals -- even though the opinions of staff may be that some of the desires are contrary to what they would choose.

Mr. Benson showed the committee a resolution signed by most of the people in Kotzebue expressing their approval of the schematic drawings prepared.

Mr. Ferguson here stated that he does not feel the Division of Buildings or Department of Public Works should be tagged with the design of the facility. It was the people in Kotzebue who came up with what they wanted in terms of design. He said that if they cannot have this kind of a Pioneers' Home, they are not really interested in having one. They have very specific needs and wants from this facility, and if they are not provided for, there is no purpose to the facility.

Mr. Specking said again that he did not really want to be talking about the Kotzebue Pioneers' Home -- that he is merely using it as a vehicle for discussing something that he feels is a considerable problem in the state at the present time. He asked for an account of the process from passage of an appropriation for a project to completion.

Mr. Dwyre said that after the appropriation is made, the using agency prepares its plans for what it wants. At such time as the entire program of construction projects are determined with the Division of Buildings, the Division publishes a list of work coming up for a particular year and circulates it to the public. When a particular project is coming up, they generally advertise in the paper, unless there is some urgency involved, that they they are ready to receive prospectives on the proposed design from interested architects. Then they narrow the field to those architects they know have good "track" records, and who have the capability of doing the work within the time planned.

[Mr. LaRocca left at this time.]

Then they go into the fine points of deciding on an architect, considering such things as whether he has worked in the specific area before, and narrow the field down even further. They vote on who will be best suited for the job. If there is a tie, it is broken by the Commissioner's Office, but this is rarely necessary. After the architect has been chosen and is on the job, he prepares and presents his schematic drawings to match the program and this is where the money and plans come together. Mr. Specking asked if this is the point at which he submits his estimate of cost, and Mr. Dwyre said yes. Mr. Specking asked what happens if it is higher than the money provides for. Mr. Dwyre said that at this point the Division is in the position of having to reconcile the difference between the architect's cost amount and the desires of the using agency. Mr. Specking said that it seems that invariably what happens is that the costs end up escalating, the plans are not rewritten, and the state ends up footing the bill. Mr. Dwyre said that he thinks that as often as going ahead and trying to get additional money for a project, they send the project back to the architect and tell him to cut back.

Mr. Specking expressed the feeling that in order to control this "monster" it may be necessary to make statutory provisions. Mr. Benson repeated that the design they have is within the money that they have and that the additional money is being asked for by Mr. Dodd.

Mr. Ferguson stated that they were given \$1.75 million. There was no program involved in determining that figure -- it was a political figure. Public Works and Buildings are not at fault.

Mr. Haugen expressed the feeling that the money was appropriated for beds and that they are building a civic center instead. He felt angry with architects always planning something above and beyond the monies available and then just requesting more money instead of trying to

"pad" the projects.

Mr. Dwyre said with reference to the preliminary plans for this facility (and this relates to other problems the committee has recently been faced with - for instance, the several schools of which only a few are going to end up being built) that they have now and hope to have in all coming years a preliminary planning fund, which will enable them to make more reasonable estimates in the future, based on something more realistic than guesswork. This has been part of the problem to date.

Mr. Specking questioned why there cannot be competitive bidding by the architects, and Mr. Dwyre felt that that would not work since they feel it is important to insure quality work.

[Mr. LaRocca returned.]

Mr. Ose expressed the feeling that the facility is ending up extremely expensive. He asked about the size of the rooms and Mr. Benson said that they will be 12 x 16. Mr. Ose felt that that was too small for two people to share for the rest of their lives. He then looked at the plans and said that it appears that the bathroom facilities are poorly set up for old people -- they will require walking quite a ways and he felt for old people this can be quite a problem, particularly at night. He expressed considerable concern that this facility is not being directed toward the needs of the aged.

Going back to the matter of cost, Mr. Ferguson said that perhaps the point is well made that something about costs versus program desired should be established in the statutes, because he sees the Department of Public Works being caught as a middle man in situations in which they are really only in a serving capacity and not a decision-making capacity. Mr. Ferguson moved that the money not be approved. Mr. Freeman said that he did not wish to entertain motions at this time. Mr. Ferguson withdrew his motion, but stated that he just felt they were wrangling around a subject that is philosophical and political and were not really going to get anywhere with it.

In response to further questioning by Mr. Ose, Mr. Dwyre reiterated that there were two meetings in Anchorage to discuss the matter of reconciling the policy of the Pioneers' Home Board, which is that local people shall have maximum input. The Department was told to go ahead with plans. He said that the Department function is not to tell people whether their ideas are reasonable or not -- they are not a decision-maker in this area. They were directed by the using agency, in this case being the Board, under the Department of Administration, to go ahead and this is what they have done.

Mr. Ose repeated that he does not feel the facility is accomodating the aged. Mr. Ferguson said that this was designed by the people -- everyone had input, including the old people. He said if he could build

the facility he would like to it would probably cost \$5 or \$6 million, but they do not have that kind of money so they have determined their priorities and have gone from there. They feel that it is very important that the old people be a living, working part of the community. He emphatically stated that he would not send anyone to Pioneers' Homes such as the others in the state, where the old people are cut off from the life around them. This will be a facility that he would let someone in his family go to.

Mr. Barber noted that both Kenai and Palmer were "ripoffs" of the Anchorage Pioneers' Home. He said maybe that's good, maybe that's bad -- it is at any rate a fact. However, he stated that most of the discussion around the table indicates a minimal knowledge of Alaska's history and its heritage in which knowledge came from the old to the young. This is what they are trying to bring about in the Kotzebue facility -- a way for the old folks to pass their knowledge on down to the young people. This facility is not being built for the modern day Indian, Eskimo or Aleut -- this is for the old people, he emphasized. They are not accustomed to a building like the typical Pioneers' Home. They would not be comfortable there. The ivory carving room, for example, which is part of this plan, is an important element in their lives. The space outside for skinning animals and smoking fish -- this too is a part of their lives. Why should they be asked to give these things up to go and live in a facility not oriented toward their needs and desires? He noted that they have to eat differently, too. Whale blubber, seal meat, flippers - this kind of food must be provided for them. This is a different culture, he repeated. Therefore he felt that Mr. Ferguson's idea and the schematics presented to the committee are not at all far fetched.

Mr. Urion expressed the feeling that the design may not be most conducive to effective heating. He felt that a rectangular design is the best and most efficient. It was pointed up, however, that several of the government and military structures in the arctic also have appendages to them, and are not just solid, rectangular structures. Mr. Dwyre noted that the planned hexagonal shape gives a maximum of floor space as well as provides for easy additions.

After some further discussion, the meeting adjourned at 2:55.

HOUSE FINANCE COMMITTEE

March 12, 1974

8:35 P.M.

PRESENT

All members of the Committee except Representatives Meekins and Ferguson (they both arrived later in the meeting). Representative Fink and Representative Wilson were in attendance. In addition, Mr. Bruce Campbell, Commissioner of Highways, and Mr. Dick Chitty, Chief of Right-of-Way for Highways, were also present.

HB 559

Chairman Freeman called the meeting to order and said that HOUSE BILL NO. 559 (An Act relating to compensation for the taking of rights-of-way across state leases) was scheduled for discussion, and that Mr. Fink, sponsor of the Bill, was present.

Mr. Fink passed out copies of page 3 of the standard state lease which showed paragraph 6, which is as follows:

"6. The Lessor expressly reserves the right to grant easements or rights-of-way across the land herein leased if it is determined to be in the best interests of the State to do so; provided, however, that the Lessee shall be entitled to compensation [for all improvements or crops which are damaged or destroyed as a direct result of such easement or right-of-way]."

Mr. Fink felt it was a very bad clause to have in the lease, and said the purpose of the bill was to knock out the effect of it.

Mr. Fink explained that presently the State leases land and paragraph 6 is in all of the leases. This means the State can take the land without compensation. The purpose of the bill is to say if the State takes land, it has to pay for it. He said there were various cases where a piece of land has been leased and for ten years the guy has been paying rent on it. He has a chance to sell his lease but it turns out the Dept. of Highways is planning to take the land to build a highway, and no one will buy it when they know that.

Mr. Fink said he wouldn't object if the State took some land for a road on 160 acres, but the State has 2-5 acre leases with the same kind of provision, and he didn't think it fair.

Mr. Fink said that if a private person leased his land, and then later took some of it, he would have to pay the lessee for his lease. Mr. Fink didn't see why they should treat the State any differently than anyone else.

Mr. Fink added that it was a particular problem with Highways because they kept changing their plans.

Mr. Specking pointed out that when a guy leased, he did it with that knowledge. Mr. Fink said that was true, but it was also true that he had no choice since it was the only kind of lease the State had, so if he wanted to lease the land, he had to take the lease.

Chairman Freeman asked to hear testimony from the Department of Highways.

Mr. Campbell wanted to speak to Mr. Fink's reference about changing plans for highways. He said it was true because as they found out more information as a result of studies, they changed their plans to meet the present needs of the people in the area.

Mr. Campbell went on to say that it was his understanding that the Division of Lands, when this clause is exercised, go back and adjust rental payments so the person is left whole. They compensated the Lessee for the rent although he didn't make a profit on it.

Mr. Chitty said it was his understanding that Lands did adjust leases and he pointed out that Highways took care of adjustments for damages caused.

Mr. Chitty said they were opposed only to the extent they didn't want to be forced into spending additional right-of-way money for State land when they could be making more highways.

Mr. Campbell asked Mr. Chitty if he was right in assuming they adjusted rent retroactively. Mr. Chitty replied that they adjusted only from the date of take forward.

Mr. Campbell said he would have no problem with making the Lessee whole and taking care of retroactive rent.

Mr. Specking asked what they were talking about when they said payment for State land. Mr. Fink said it would be the same as any other persons land. They take what it was worth before and take the difference after they have done with it. He said it was like condemnation. He admitted that in many cases they would be talking about a profit. But he noted that the State was leasing to the highest bidder. He said a person would lease land and let it sit while he paid rent every year. Then the State says they are going to take it and give him nothing. If that person had been leasing from somebody other than the State, he would get paid for the value of it. An appraiser would be brought in to determine the value.

Mr. Specking said that there was a value connected with shape and size which was different than the value of the land. He asked if they were talking about that, and Mr. Fink said that and inflationary value.

Mr. Specking said that in every case they would have to negotiate and arbitrate in order to find value, since it was not just the appraised value of the condemned portion of the lease.

Mr. Fink said the Court if necessary could determine what the value was. It seemed to him that the State shouldn't lease land where they knew they were going to build a road.

Mr. Fink reiterated that if the State leased or sold land, they should be just like anybody else and ought to be treated like anybody else. He said he didn't think the provision in paragraph six would stand up in Court. (He added he had no financial interest in any State leases.) Mr. Fink brought out that many times the State has settled for a substantial amount of money rather than go to Court.

Mr. Freeman thought it would make a difference whether the State made a profit in the first place. Mr. Fink said that most of the concern right now is over leases bought up around the International Airport. The State has been collecting money on these for a good number of years.

Mr. Specking said that leases weren't cheap either. He said he had witnessed a Division of Lands sale of leases, and that they were very high. He thought they were comparable with commercial leasing.

Mr. Barber said that at the time the lease was granted, the Lessee understood the provisions of the clause that was in it, so it wasn't as if he was ignorant.

Mr. Barber referred to five acre tracts in the Tudor area for home sites. He said the lease was let for \$150,000 over a period of 55 years. He asked if most of these large tracts of land weren't speculative. Mr. Chitty wasn't sure, but knew that some were.

Mr. Specking asked what sort of money they were looking at. Mr. Campbell said the only places he recalls running into this problem were around the International Airports at Anchorage and Fairbanks. He said the place they were talking about now was the International Airport in Anchorage.

Mr. Specking took that to mean they had to decide along philosophical lines, and not money.

Mr. Campbell went on to say they had no strong objection one way or another to whatever the Legislature wished to do. He could see the validity of both sides of the argument. He did think, however, that a refund should be made to the person for that land which they do take if he hasn't had a chance to make economic use of it yet. Other than that, he said that Highways could live in either direction, but the more money they spend for leases, the less roads they get built.

Chairman Freeman said the next bill they had up for discussion was HOUSE BILL NO. 649 (An Act relating to veteran loans). Mr. Emmitt Wilson, Commissioner of Commerce, and Mr. Jim Brunette, Director of the Division of Veterans' Affairs, were present at this time.

Chairman Freeman asked Commissioner Wilson for his comments.

Commissioner Wilson said this Bill deals with the Division of Veterans' Affairs, and was introduced at the Department's initiative, the reason being to increase the single family dwellings from \$40,000 to \$50,000, multiple dwellings from \$60,000 to \$75,000, and business loans from \$65,000 to \$100,000.

Mr. Wilson explained that single family dwelling costs were going up as far as construction was concerned, so it was necessary to have a higher limit to meet necessary demands. He said the increase would make it consistent with other programs.

Regarding the increase from \$65,000 to \$100,000 for business loans, he said the worst thing they could do is not lend a small business enough money to actually do the job. He said the Small Business Loan Program and the Fishermen's Loan Program both have a \$100,000 limit, and he thought the small businessman under the Veterans' Affairs should have the same privilege.

The Commissioner asked Mr. Brunette to respond to the fiscal responsibility.

Mr. Brunette said they were aware of the fact they were using State Funds, and they have tried whenever the amounts have gotten greater per loan to give more protection to State Funds. They have set up reserves for taxes and insurance. He said these reserves have to have constant monitoring, and pointed out that more than 50% of their loans are now covered by reserves.

Mr. Brunette said that in order to make sure the State's portion is protected, if they get what they have asked in the Bill, they will need a person to handle these reserves. He said it was something done in all financial institutions, and pointed out that they had come in 6th place when compared with other financial institutions in Alaska. However, he stressed they needed this position in order to do what they think is necessary to protect the State funds.

Mr. Freeman observed that the additional person was not covered in the bill.

Mr. Wilson said what they were saying was that because of increasing the amounts, they would be increasing the amount of people eligible for loans, so one more person would be necessary to carry out the additional administrative demands.

It occurred to Mr. Specking that if they increased the amount of money they would loan that they wouldn't increase the number of people eligible.

Mr. Warwick said that it would increase the number of people eligible, and as an example pointed out that a house that cost \$60,000 to build could not have been financed under the old program.

Mr. Wilson said they saw the most impact in the Business Loans when they increase to \$100,000. They felt a lot more people would be

interested in borrowing from the Vets. There would be a lot more people in that area of need.

Mr. Brunette said that quite frequently they tie up a lot of security for a \$60,000 loan, when the person really needs a little more money. He said they still might end up loaning \$60,000 if the Bill passed, but they might be able to loan a little more the next year.

Mr. Specking asked if they made personal loans, and Mr. Brunette said they made a number of personal loans, and the record of repayment was excellent.

Mr. Warwick asked the terms on personal loans, and Mr. Brunette said that they usually had terms of three years maximum. Mr. Wilson explained they were not tied to specific terms. He said they were flexible, but they usually tried to hold any unsecured money to three years.

Mr. Warwick asked about their interest, and Mr. Wilson said they used 7% interest bringing it in line with Federal V.A. home loans.

Mr. Warwick asked what the rate was on personal loans, and Mr. Wilson said it was the same.

Mr. Warwick asked what the personal loans were for, and Mr. Brunette said they were for hospitalization, education, consolidation of bills, improvement loans...

Mr. Warwick asked whether borrowing on one program for business precluded them from a personal loan. Mr. Brunette maximum amount of money loaned to one person is \$60,000, and if the bill passed, it would be up to \$100,000.

Mr. Warwick asked how many loans they had out right now, and Mr. Brunette said it was between 1260 and 1295. Mr. Wilson said their total outstanding was a little over \$30 million.

Chairman Freeman thanked Mr. Wilson and Mr. Brunette for their time.

Chairman Freeman asked the Committee what they wanted to do with HB 559. Mr. Warwick thought they probably ought to reimburse the lessee for money he has in the lease. Mr. Barber agreed.

Mr. Freeman said he felt that under normal circumstances if the State felt the land would be needed in the future, they shouldn't lease it. He thought if they were leasing it out it was to get money, but said maybe the State was leasing it because it didn't think the land should sit idle.

Mr. Warwick personally didn't think the State should hold onto land.

Mr. Specking thought that the provision in the lease was pretty plain. Mr. Ferguson thought they ought to vote it up or down.

Mr. Haugen said that if someone had the lease on property, he had to pay taxes on it too. He thought it would be fair to reimburse him for the tax money as well as the money he had paid out in rent.

Mr. Freeman suggested they hold the bill and talk to the sponsor and see what he feelings would be if they changed the bill around. There was no objection to holding the bill.

Chairman Freeman asked what the Committee wanted to do with HB 649.

HB 649

Mr. Specking moved and asked unanimous consent that they pass out HB 649 with a "Do Pass" recommendation. Mr. Ferguson objected for the purposes of discussion. He said he would like to see them raise the personal loan limit from \$5,000 to \$10,000.

Mr. Specking said he personally would be a little frightened about that because they were talking about unsecured loans.

Mr. Warwick said he would have no qualms about it because he thought they had a pretty good experience rate.

Mr. Meekins thought it was a good idea. He said they may or may not loan that much money, but at least it would give them the flexibility.

Mr. Ferguson moved they amend the bill from \$5,000 to \$10,000 on personal loans. Six were in favor, and the motion carried.

Mr. Warwick moved that loans for multiple dwellings be rased from \$75,000 to \$80,000 and farm and home loans be raised from \$50,000 to \$55,000, and asked unanimous consent. He said that in the last year or so property values have been going up.

Mr. Specking said that the extra money was no big deal, but he was concerned that if they got too big they might move into a different category of borrowers. However, he had no objection with it like he did with unsecured loans.

The question was called on Mr. Warwick's motion, and there was no objection, it was so ordered.

Mr. Warwick suggested that instead of passing out the bill as amended, they incorporate the amendments into a Committee substitute. He made a motion that they do that. There was no objection, it was so ordered.

Mr. Warwick then moved that they pass out CS for HB 649. There was no objection, it was so ordered. It was decided they would sign the Committee report when the had the typed copy of the bill before them.

HCR 23

Mr. Specking said he had two resolutions which he wanted to take up. The first was HOUSE CONCURRENT RESOLUTION NO. 23 (Relating to paving the Hope Road). He reminded them that this had come up before, and Mr. Warwick had asked what the cost would be. He had a fiscal note from Commissioner Campbell saying they couldn't do much for less than \$800,000. Mr. Campbell also said they could probably use Federal Highway Aid on this if it was given high enough priority.

He pointed out that a like resolution had come out of the Senate yesterday.

Mr. Specking moved that the Committee report out the resolution with a "Do Pass" Recommendation. Mr. Meekins objected. The motion carried 6:1.

HCR 26

Mr. Specking said he would also like to bring up and pass out HOUSE CONCURRENT RESOLUTION NO. 26 (Requesting that the M/V Wickersham be restored to service in Southeast Alaska and be used to inaugurate an all-Alaska transportation route linking Southcentral Alaska ports with those in Southeastern Alaska and the continental United States). However, he wanted to clean up the language and make it temporary waiver language. He also wanted to delete the last section on page 6 which provided for lease of the Wickersham during fall, winter and spring months for service as a ferry or ferry-cruise ship elsewhere in the world.

The Committee members felt he should have it made up as a Committee Substitute, and then they would act on it.

RECESS

Meeting recessed at 9:35 A.M.

HOUSE FINANCE COMMITTEE

March 13, 1974

8:35 A.M.

PRESENT

All members except Representatives Saylor and Meekins. Mr. Barrier, the Juneau City/Borough Attorney, and Mr. Kennedy, the Juneau City/Borough Finance Director, and Mr. Messenger, Ass't A.G. were 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) which they had reported out at one time, and then had been asked to hold on to until some further research had been done was, once again, up for discussion.

Mr. Freeman said he had suggested to Mr. Berrier that he obtain a copy of the letter of intent that went along with the Bill, and had told him that they were trying to put that intent into the statutes.

Mr. Berrier said he had gotten ahold of the letter of intent that went out with the ad valorem bill during the Special Session. He felt that a fair summary of the letter of intent is that it set limitations so as not to allow deliberate overissuance of bonds.

Mr. Berrier felt this was a difficult bill. He felt that the original one would create a great deal of problems for all municipalities. He had attempted to draft something that would meet the letter of intent. It had to be something which ascertained the method of determining whether they had violated the thing and it has to ascertain the time. He felt there was no simple way to draft it, but had proposed a substitute, which no one really likes, but he thought it was a substantial improvement. It determines that at the time of issuance of the bond, they determine whether they are in violation by taking the cost of debt service of the bond issued and all ones that have not gone into the mill rate, and bonds that have not been issued, and average them all together. These are annualized. The net effect is that on the date of issuance they could determine whether these bonds annualized would prove to be over the 30 mill limit.

Mr. Berrier added there were two exceptions in the bill: 1) bonds issued to refund outstanding indebtedness; and 2) bonds to pay judgments on outstanding bonds.

Mr. Berrier said that essentially concluded his presentation. He added that the most favorable comment he had on his proposed substitute was that it was better than the original bill. He also said that their bond counsel felt it was workable.

Mr. Kennedy said they should start with the premise that people in the bond market don't like change because anytime there is a change, it will cost money. Anything that makes it more difficult for people

working on the computation of the interest rates makes it more or less competitive and it costs the community more money. He gave the following example: At their last bond sale in August for \$2.7 million, there were five bids and the variation in interest rates was from 6.218% to 6.477%. Over the life of the bonds that would cost Juneau \$96,000.

Mr. Kennedy said they had asked their financial consultant for his comments on this, and he had sent them a letter, which Mr. Kennedy then read to them. Briefly, the letter said the bill would increase interest costs on all General Obligation Bonds. It would force them to be limited General Obligation Bonds and this would increase the interest rates on all bonds.

Mr. Warwick asked Mr. Messenger from the Attorney General's Office if he had seen the proposed Substitute. Mr. Messenger said he was not really sure it did the job. He said the formula seemed to be based on the mill rate, which he thought directly related to the 30 mill limitation. He was wondering whether this would work with the \$1,000 limitation and the 225% limitation. He was not sure the language could be workable in terms of those two limitations.

Mr. Berrier said what it would do is come out with a mill limitation. He said that frankly, he had difficulty understanding the language in the second limitation. He had talked with the State Assessor as to what the bill intended to say, and assuming he is right, the 225% limitation is a dollar limitation to give the top dollar. The formula would be to take 225% of the population of the State times the value, and read into it the 30 mill limitation which would give the top dollar. He gave the following example: For Juneau, \$12.639 is the average State assessed value which multiplied by 225% is \$28.438 which is multiplied by 13.50 which equals \$383,913,000 multiplied by 30 mills equals \$11,517,390. Revenue limitation is what it intends.

Mr. Warwick said the Act reads \$1,000 or 225%, whichever is higher. He said Anchorage had \$150 a head per capita and Fairbanks was around the same. Juneau was a lot lower. So, he said it would be inconceivable to ever reach the \$1,000 limitation.

Mr. Berrier said it would effect their bond rating if the Bill passes as it stands. People that buy bonds are not that familiar with the municipality, so the municipality has to show each attempted purchaser that they wouldn't reach the limitation.

Mr. Berrier said the 30 mill limitation was relevant for all except oil related impact.

Mr. Warwick said that communities in Alaska have a high rating. Mr. Berrier said that BWA was the highest rating in Alaska.

Mr. Kennedy said that if they wanted to limit the ability to sell bonds, they could do that, but on limiting the ability to buy bonds, they feel this is going to cost money.

Mr. Warwick asked whether their amendment attempted to do that.

Mr. Kennedy said no. It attempted to set at a particular point in time a determination of whether they have or have not violated the intent of the Section.

Mr. Specking asked whether they had got any impact on this from other municipalities. Mr. Warwick said that John Calhoun had sent a telegram saying substantially what the letter that Mr. Ferguson had referred to in their last meeting on the subject said. It had said that it could result in a higher interest rate. Mr. Warwick didn't feel that it would.

Mr. Warwick said he would get together with whoever had drafted the Bill and work on it.

HCR 9

Chairman Freeman said they would go on to discuss HOUSE CONCURRENT RESOLUTION NO. 9 (Relating to the Pilgrim Springs Road). Representative Fischer, the sponsor of the Bill was present to testify. Mr. Bruce Campbell, Commissioner of Highways, was also present.

Rep. Fischer said that while she was in Nome this last summer she had gotten interested in the geothermal possibilities at Pilgrim Hot Springs, located about 15 miles from Nome. The Hot Springs were hard to get to because they were located 8 miles from the road. She explained that they were owned by the Catholic Church and had been leased to this Corporation for 50 years. She added that it was a private lease.

Rep. Fischer said that it had a possibility of giving energy to the entire Seward Peninsula, and in addition it could be developed into a tourism spot.

Rep. Fischer said that for years she has felt that the State should be building into mining areas and such places and obtaining revenues from them even though they are privately owned. She thought they should help the people who were going to be developing an area.

Chairman Freeman asked how much the 8 mile road would cost. Rep. Fischer referred the question to Commissioner Campbell.

Commissioner Campbell said they estimated it would cost about \$2 million for a secondary road. A lower standard road would cost somewhat less.

The Commissioner said that Highways wasn't opposed to building a road into private sectors providing they had a firm development plan. So far, the plans he has seen have been "fly-by-night" and he didn't feel they could speculate with State funds. He also pointed out that this was never put forth as Nome's priority.

Mr. Specking asked the status of the land surrounding the Hot Springs, and Mr. Campbell thought they were all regional withdrawals. Rep. Fischer said that at the present time the lands were public, but the long piece of land belongs to the Catholic Church.

Mr. Barber asked what the gravel situation up there was. Mr. Campbell said it was zilch.

Mr. Specking asked how they got right-of-way in places like this. The Commissioner said that under the Native Land Claims Settlement Act, the Secretary of the Interior still has the authority to issue permits and carry on programs. At this point, Secretary Morton has pledged himself to Sen. Jackson of Washington, Chairman of the Interior Committee, that he would not do anything with B-2 lands until they had given his Committee 60 days to consider it. So, in essence, he has turned the authority over to Congress, and Mr. Campbell said it was impossible to get anything done. However, he said the Native lands were easier because they can usually work it out with the Natives involved.

Mr. Ferguson said he had a resolution from one of the Native Corporations up there saying they would like to see a road go through. He believed that if it was Native Selection lands, they could ask for easements and right-of-way and be given it. They have done this for airports, and he didn't see any problems.

HB 518 Mr. Ose asked if they could bring up HOUSE BILL NO. 518 (An Act relating to a cost-of-living escalator index for certain public retirement pensions). Chairman Freeman said they could discuss it.

Mr. Ose said it was to try and help people on a fixed income that are retired. He said costs were going up and up while their incomes were staying the same. Mr. Ose said that it would be a way to help keep these people in Alaska. He said it would be related to the Cost Index determined by the Department of Labor.

Chairman Freeman scheduled a hearing on the bill for the following Monday.

HCR 59 Mr. Warwick said that he had been talking with Stu Hall in Legislative Affairs about HCR 59 (Relating to the operation of schools on military reservations), and Mr. Hall felt they needed further legislation to allow them to do it. Mr. Warwick thought he was right. He told the Committee that he would get back with a Committee Substitute for them to look at the following morning.

HB 649 Mr. Warwick said there was one other matter, the Senate had reported out a bill on the Veterans loan, which was the same as HB 649 which they had decided to pass out as a CS yesterday. He suggested that they incorporate their bill into the Senate Bill. There was no objection to making their bill into a Finance Committee Substitute for SENATE BILL NO. 386. They decided to sign the Committee report when they had the typed draft in front of them.

CS SB 386

There was general discussion about the SOS System.

RECESS Meeting recessed at 9:40 A.M.

HOUSE FINANCE COMMITTEE

March 14, 1974

Thursday

8:35 a.m.

Present: Committee members: Representatives Freeman, Barber, Saylor, Ose, Warwick, Specking, Haugen. Also present were: Rich Guthrie, Fiscal Analyst; Dr. Josh Wright, Education Consultant; Representative L. Wilson; Mr. Stuart Hall, Attorney, Legislative Affairs Agency; Speaker of the House of Representatives Tom Fink; Mr. Nat Cole, Acting Deputy Commissioner, Department of Education; Commissioner Marshall Lind, Department of Education; Mr. Stan Friese, Superintendent, State-Operated Schools; Mr. Cooksey, NEA; Mr. Van Houte, Director, AEA.

Also present were Mr. Joe LaRocca of the press, and Ms. Elaine Mitchell, Educational Broadcasting System.

CSSB 122 Rep. Freeman, Chairman, called the meeting to order and asked Speaker of the House, Tom Fink, to present testimony to the Committee on CSSB 122 (An Act relating to schools on military reservations).

HCR 59  
HB 696 Mr. Fink stated that if the Committee passed HCR 59 (Operation of schools on military reservations), it will then substitute HB 696 (Schools on military reservations) for CSSB 122.

Mr. Fink then stated that he would like to propose a third alternative.

Mr. Fink said that people on military bases should decide how they want the schools administered. House Bill 696 states that on-base schools should be run by the adjacent borough school district. Mr. Fink stated military parents should be able to maintain residence in their own states and still have a say in the education of their children. He added that he hoped the military would contract with the local borough through an election.

Mr. Fink said that concern has been expressed that the base commander will "run" any educational matters, and that therefore many people feel that the state should attach military school districts to the adjacent borough which will benefit the children and teachers.

Mr. Fink stated that his proposed amendment which was written by Stu Hall of Legislative Affairs may not "go far enough", but the thrust of the amendment is to permit military people to vote on whether to remain in the State-Operated Schools System, to contract with the local adjacent borough, or have their own school unit. Mr. Fink added that the military people are in a difficult situation at present politically

because they do not have any votes.

Mr. Fink distributed copies of his amendment to the Committee (see bill file CSSB 122/CSHB 696).

Representative Specking then referred to Mr. Fink's amendment, paragraph (3) which states where the voters qualified shall be permitted to indicate whether they prefer (3) "operation of the on-base schools by the Alaska State-Operated School System". Representative Specking asked Mr. Fink what his opinion would be if they removed that option.

Mr. Fink replied that the main idea is to give them the choice of options, but Mr. Fink felt it appropriate that this option be dropped due to the fact that SOS is undergoing a transitional period of decentralization.

[Mr. Fink left the meeting at this time.]

Mr. Stu Hall, Attorney, Legislative Affairs, was asked to express his views on Mr. Fink's amendment. Mr. Hall told the Committee that he saw some legal and technical difficulties with the proposed amendment. He stated that Alaska's election law has no procedure to submit an issue to the voters except by G. O. Bond issues or through a change in the Alaska Constitution. This proposal states that the Department of Education will have an election for the purpose of having the military make their choice, and there is no procedure for doing that; they must develop regulations in the department for conducting an election.

Mr. Hall then said that under present Alaska municipal code and constitution, a service area cannot be formed in or outside of a city and borough if that service can be performed by that city and borough.

Mr. Hall said he was troubled over the business of conducting the election and creating educational service areas when existing state law says that services shall be included by annexation to existing municipalities.

Rep. Barber then asked Mr. Hall if he felt that any connection other than with the borough would be deemed illegal and contested in court. Mr. Hall replied that it might be; military reservations are already separated from the borough. It must be argued whether there is something different about military schools.

Mr. Hall stated that federal money comes in because of the military; if you included these on-base schools with the borough, the money might be lost.

Mr. Hall reiterated that he is concerned over the possibility of creating potential litigation.

Rep. Specking wondered if it would be possible to change the language and have the Lt. Governor's Office conduct the

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election. Mr. Hall said that could be possible.

Mr. Specking then asked if it was Mr. Hall's view that the election "will hold up" better if it would be conducted by the Lt. Governor's Office. Mr. Hall stated that even if the Department of Education were obliged to conduct the election, they must rely on assistance from the Office of Elections. Mr. Hall then added that he was not sure that it makes too much difference which department conducts the election.

Rep. Warwick then asked Mr. Cole to express his views. Mr. Cole stated that if the state enters into litigation with a service area board, his feeling is that the board is not empowered to sue or be sued. He said that you can delegate to the service area board certain powers and duties but responsibilities delegated to the city and borough cannot be delegated to the service area boards. Mr. Cole said the Legislature must retain the responsibility.

Mr. Cole stated that if the military reservations really wished to run their own schools, they could do so under the Department of Defense. Mr. Cole said he was concerned over what would happen if a service area board was established at Eielson or Wainwright (for example) in terms of those secondary students who are already attending borough schools. Will the military reservations attempt to take those secondary students back?

Mr. Cole then stated that the Department of Education is opposed to having a military service area board.

Representative Warwick then informed the Committee that he had prepared a House Committee Substitute for SCR 25, and a House Finance Committee Substitute for CSSB 122. He asked Mr. Hall to comment on the language of these proposals.

Mr. Hall stated that the language says that the Department of Education can require operation of military schools but the district must consent to this. The purpose of the bill is to clean up language in municipal and state codes. A law was passed last year saying that SOS would continue to manage and control military reservation schools until the military reservation status is terminated. Mr. Hall then pointed out that the military reservation status never really changes, therefore, the language must be changed ("military reservation" to "military mission"). The other language change is in line 14, changing "and, thereafter" to "or" (terminated "or" so long as management and control by the state-operated schools is approved by the Department of Education). Mr. Hall said that this was done because the Office of the Attorney General feels that the question of operating schools is different than controlling and managing them.

Mr. Hall added that it clarifies the language that the advisory board can exist in each community or military reservation, and where there is a contractual relationship, the advisory board election will take place at the same time as the election of the school districts.

Mr. Van Houte of the Alaska Education Association, stated that they support the Committee Substitute for HB 696. He said they do not support the amendment made by Mr. Fin. Mr. Van Houte said this issue has "been hammered" out long enough; they don't feel they should have an election in this process.

Mr. Stan Friese, Superintendent, State-Operated Schools, stated that their board has consistently adopted the positions that local areas should be involved in any move toward consolidation or decentralization. He added that the parents of those students at Elmendorf distributed a petition which was signed by 1250 people (representing 98% of the people contacted). Two percent did favor consolidation with the borough. General Sherrill stated that they support continuing operation under State-Operated Schools.

Mr. Friese then told the Committee that the board received from the area service board at Elmendorf a request that the SOS board exert all influence and put all resources together to move against the Department of Education to prevent schools from being contracted to adjacent boroughs.

Mr. Friese said he spoke with people from each base except Fort Greely. He said that Eielsen and Wainwright were angry because Fairbanks voted that it did not want to enter into a contractual arrangement with the schools this year. He said that Wainwright has reasons for wishing consolidation.

Rep. Wilson stated that he was opposed to Mr. Fink's amendment. He said he is opposed to giving the military the option unless others are allowed the options as well.

Mr. Cooksey, NEA, said that with regard to Mr. Fink's amendment, the same principal applies in Girdwood or Eagle River; the bases are sitting in Anchorage's "back yard". He said they support the idea of a substitute to CSSB 122 to avoid loopholes which Mr. Hall had previously mentioned.

Commissioner Lind then informed the Committee of the Department of Education's position: How many of those people who signed the petition are actually Alaskan residents? This is a matter of whether the state will have one or several educational systems in Alaska. Mr. Lind said the department's position is that the contractual arrangement with the boroughs and cities is the way it should be done, otherwise the educational system in Alaska will be fragmented.

Mr. Lind said that if the intent of SOS is to move out of business, what has been going on in the past as far as action with SOS to move toward this type of contractual arrangement? He said that efforts should be made by SOS to make this happen. Mr. Lind said that the Department of Education has carefully analyzed the implications of the contractual arrangement; they can clearly show that there would be some fiscal saving under the contractual arrangement whether you talk about state or federal funds.

Mr. Lind then asked what issues over the past 15 years have not been resolved to the satisfaction of the military parents where secondary students have attended borough school district schools.

He added that it should be the decision of the Legislature to speak to the governmental structure rather than have an emotional issue on their hands.

Mr. Lind then said that these on-base schools should be contracted; that is the department's position.

Rep. Saylor then asked if that position was the Governor's position as well. Mr. Lind said that this position is the department and the state board of education's position; Mr. Lind has not talked personally with the Governor about one arrangement or the other on this matter.

Rep. Barber remarked that he had received a great deal of correspondence affirming the transfer of the educational system to the Anchorage borough; now he is receiving correspondence from the Elmendorf Advisory Board opposing it; he also heard Mr. Fink's amendment and heard that another petition with 1400 signatures is coming down today. Mr. Barber said he wanted to be sure that the Department of Education feels that everything in their jurisdiction leans toward the recommendation of joining the Anchorage Borough School District. Mr. Lind said that was correct; their recommendation is to join the ABSD.

Rep. Warwick then moved that House Finance Committee Substitute for SCR 25 be reported from Committee; there being no objection, it was so ordered.

Rep. Warwick then moved that House Finance Committee Substitute for CSSB 122 be reported from Committee with an accompanying Committee Report (to be drafted by Stu Hall) explaining all changes (to be printed in the journal). Mr. Warwick asked for unanimous consent; there being no objection, it was so ordered.

Rep. Freeman announced a Saturday meeting regarding House Concurrent Resolutions 21, 52, 36, and 37.

Recess: There being no further discussion at this time, the Committee recessed at 1:30 p.m.

HOUSE FINANCE COMMITTEE

March 15, 1974

8:35 A.M.

PRESENT

All members of the Committee except Mr. Meekins and Mr. Ferguson. In addition, the following people were present: Mr. Will Lawson, Press Secretary for the Governor; Mr. Robert Pavitt, Director of Planning and Research for the Office of the Governor; Mr. Earl Peacock, of Kaiser Industries; Mr. Ed Karnen, Hydroelectrical engineer for Kaiser Industries; Mr. Kent Miller, Economist for Kaiser Industries; Mr. Bob Cross, Engineer for the Alaska Power Administration; Mr. Don Howse, Mayor of Wrangell. Representatives Wilson and Hartig were also present.

HB 767

Chairman Freeman called the meeting to order and stated that HOUSE BILL NO. 767 (An Act making a special appropriation to the Office of the Governor for a study of the hydroelectric potential of the Susitna River) was scheduled for discussion. He asked Mr. Peacock to begin his presentation.

Mr. Peacock told the Committee they would receive copies of a Briefing Memorandum on the Susitna River Hydroelectric Projects for the State of Alaska by the Henry J. Kaiser Company. Everything he was going to say would be included in that document, so it was not necessary for the Secretary to take notes. (See Bill File.)

Following his presentation, Mr. Peacock summarized saying they were going to look at alternatives based on their experience in other areas. He said they would not provide any new information, but will be using information that has already been accumulated by the Bureau and the Corp of Engineers. He told them to refer to their briefing document for back-up data.

Chairman Freeman asked for an explanation on the revenue bonds.

Mr. Kent Miller, the Economist, said that the revenue bond financing scheme backed by power take utilities would be a self-supporting financing scheme. They believe an autonomous power authority could be established. The typical method of financing would be for the Authority to go and make contracts with the industry for utilities for supplying a given amount of power. Then, it would go to the tax free revenue bond market and quote an issue. It is usually 25-35 year terms at 5-5.5% interest. Mr. Miller said they felt this would be appropriate to this project. It is the type of financing that responds directly to the existing demand.

Chairman Freeman asked for a rough estimate as to the kind of money involved. Mr. Miller thought the Borough assessment was \$600 million.

Mr. Bob Cross said it was \$680 million.

Mr. Barber asked whether that included the Denali Holding Reservoir. Mr. Peacock said that under their scheme it does.

Mr. Barber asked what they proposed to do with the colloidal silt. Mr. Peacock couldn't answer that at the present time. He said the purpose of the study would be to really look at this and review the material that is available.

Mr. Barber asked the life of colloidal silt, and Mr. Bob Cross said it was in excess of 500 years.

Chairman Freeman asked how much time would be involved in construction if they followed normal procedures. Mr. Peacock said that from their first look at it, they would say 6-6.5 years.

Mr. Haugen said he generally understood what they were saying, and added that he had a little personal interest in a somewhat similar project in Southeast. Mr. Peacock knew he was talking about Thomas Bay. He said that was a different project where it would be 20-50 megawatts that could be maintained along the same lines, but it was completely in a private sector.

Mr. Haugen asked if it would be possible for the two towns to get together and get the benefits of the power. Mr. Peacock said the answer to his question was yes. He added once again that this had nothing to do with the proposal they were now talking about.

Mr. Miller said that with regard to the availability of power, it would be sufficient for a relatively small industrial load by industrial standards, but a major factor in Southeast Alaska plus giving additional energy for utilities. He said they had looked at it and talked to people about it, although it was not in proposal status as yet. He said it required more exploration, which he expected to be done in the next couple of weeks. He told Mr. Haugen, and his constituents that they would be available to go into this with them the following week.

Mr. Miller added that they saw it as a local project rather than something involving the State. He added it would be advantageous to find a municipal agency to obtain it.

Mr. Specking asked if there would be alumina potential in that one, and Mr. Miller said no.

Mr. Specking asked whether during their investigations they had heard of any salt deposits in Alaska. Mr. Miller said no.

Mr. Ose asked what effect this would have on the Corp of Enginneers.

Mr. Peacock said they had met with the Corp and the Bureau about this. He said Kaiser Industries main objective is to get step 1 started.

Mr. Peacock asked Mr. Cross, who represented the Bureau whether he thought there would be any conflict. Mr. Cross didn't believe so.

Mr. Peacock said there were some very distinct advantages to keeping the federal government in the act. For one thing, they don't need to get a license.

Mr. Peacock thought their main purpose was to make sure their alternative solution was compatible with the overall complete development of the River basin.

Mr. Peacock pointed out that the Corp had some study money, and that the Borough had some study money on the way.

Mr. Ose asked about the sale of revenue bonds. Mr. Peacock said they have talked to people in the business who have indicated there would be no problem in selling the bonds.

Mr. Ose asked if there would be any cost to the State whatsoever, and Mr. Peacock said absolutely not. He said it had to be self-supporting.

Mr. Miller said it might be to the Authority's advantage to request that the State loan the initial capital to bring it to the point where binding commitments could be made. He said it would be about .5% of the total project cost on a reimbursable basis.

Mr. Ose noted that the Corp had a possible 4 sites, and wondered why they only had one. Mr. Miller referred him to the drawing in the back of the briefing document where it shows they incorporated the first two corp sites into one.

Mr. Warwick asked what the \$55,000 in the bill before them would provide. Mr. Peacock said it would be to reassess existing development schemes for the Susitna River, and to prepare a conceptual design, order-of-magnitude cost estimate, and preliminary feasibility report for a hydroelectric project on the upper river.

Mr. Warwick asked what would happen after this conceptual design is completed and they have determined that the rate is feasible. Mr. Peacock said they would turn the report over to the Governor, who would then determine what to do.

Mr. Warwick asked whether Kaiser was prepared to commit itself to a substantial portion of the power if the State decided to go ahead. Mr. Peacock said in reply that he couldn't speak to that right now.

Mr. Peacock added that if the report was favorable, they wouldn't have trouble getting that commitment from the industry.

Mr. Warwick asked what would happen if they needed that commitment before they went ahead on it. Mr. Peacock said they couldn't get the commitment now because there is no power plant.

Mr. Warwick asked at what point they could expect commitment. Mr. Peacock said that by the time they get ready to commit themselves to a substantial amount of money, they could determine whether they had the commitment.

Mr. Peacock went on to say that they knew what the industry needed and what they will go for. He said no large industry would give a firm commitment until they had the power available. He didn't think there would be any problem in selling this.

Mr. Warwick asked whether he thought this would compete with other sources of power. Mr. Peacock said that even though Alaska does have oil and gas available, in the long haul hydroelectric power is more attractive to the industry because they can get a long term contract, and they know it is going to be there.

Chairman Freeman said it was probably true that Kaiser Industry is willing to make this offer for \$55,000 because they have an interest that is greater than doing the study.

Mr. Peacock said he would give them a little background. Up until the first of the year, he was Vice President for their African Office in the Mideast. On the first, Mr. Kaiser took him off that and he is now responsible for business development-energy. They are looking everywhere in the world because Mr. Kaiser is convinced they should do something about it. He said that Mr. Kaiser was a great humanitarian, just like his father had been. He added they were looking out for their own interests also.

Mr. Peacock went on to say that Kaiser Industries might be able to do many things that the government engineers can't do, because many times they have their hands tied because they have to go through so much red tape. He then stressed that he wasn't saying they weren't good engineers, because he thought they were excellent. What he was saying was that he could do things they couldn't.

Mr. Specking commented that one of the interesting spin-offs could be the opening of the entire Upper Susitna area to fish. Now, they are blocked off.

Mr. Barber said that the energy crunch had brought about the dusting off of this project, and that it had been on the drawing boards for 15 years. He asked if this was being looked at because of the energy crunch.

Mr. Peacock said they were looking at it as a project for them to make a study on. He couldn't speak for any of the other companies. The only thing he can commit himself to is the study.

Mr. Barber asked whether escalation factors would be built onto the \$680 million figure. Mr. Peacock replied that the only thing added into the figure was contingency.

Mr. Saylor asked if they expected to have environmental impact problems. Mr. Peacock said that at first look they don't expect they will occur at all. He thought the area would lend itself to favorable reaction by environmentalists. He said they would have to go through preparing an environmental impact statement, but that the conditions there and what they propose to do, should be acceptable.

Mr. Barber said that if they were to activate or use the Denali Holding Reservoir, it would mean relocating 6 miles of road, and he wondered if that would include moving the bridge.

Mr. Karnen said at this point of development they do not propose to have a dam at Denali.

Mr. Barber asked if the bridge was to be relocated. Mr. Peacock said that under the present design, relocation of the road would be necessary. However, they have not yet visualized this stage of development so he couldn't answer.

Mr. Warwick asked Mr. Cross of the Alaska Power Administration if the Bureau planned to go ahead with its studies on this. Mr. Cross said the Congressional delegation had introduced a bill that would authorize a FY 74 supplemental appropriation to the Corp of Engineers for this study. He said the Corp and the Ak. Power Administration were putting together a study plan for use of the money. He added that \$125,000 additional study money was on the FY 75 budget.

Mr. Cross said this planning and arrangement for studies were done as a separate effort from the one Mr. Peacock is on. He said the Corp and APA will go ahead and proceed with their studies, and said all of the information they have is public information and would be made available to them if their study went through.

Mr. Warwick asked what the likelihood was they would go ahead with their study. Mr. Cross said it was contingent upon authorization and congressional appropriation.

Mr. Warwick asked him if his people had already made these power rate statistics. Mr. Cross said their status report had some rough estimates. For that \$680 million investment amortized over 50 years at 5 5/8% they came up with 14.5 mills.

Mr. Warwick asked Mr. Cross if he felt that if the State got involved it would jeopardize his organization's efforts. Mr. Cross didn't see any basic conflict. He said the federal position was that if the State and the industry were willing to develop the project, the federal government would prefer not to.

Mr. Ose wondered if this would phase out the incentive of the Corp to go ahead with the project. Mr. Cross was sure the Corp intended to proceed with the study.

Chairman Freeman then had the Committee sign the Committee report on two bills they had already decided to pass out. They were as follows:

SCR 25 am (Relating to the operation of schools on military reservations) - A majority of the members of the Committee recommended that it be replaced with Finance Committee Substitute for SCR 25 am and that HFC CS for SCR 25 am Do Pass.

CSSB 122 (Finance) am - A majority of the members of the Committee recommended it be replaced with House Finance Committee Substitute for CSSB 122 (Finance) am and that HFCS for CSSB 122 (Finance) am Do Pass.

RECESS

Meeting recessed at 9:45 A.M.

HOUSE FINANCE COMMITTEE

March 16, 1974

9:00 a.m.

Present: All members were present with the exception of Representatives Meekins, Saylor, and Ferguson. Also present were Dr. Wright, Education consultant, Representatives Randolph and Wilson, Mr. Tom Brown, Executive Director of Alaskans for Alaska, and Mr. Dave Rainey from El Paso.

Chairman Freeman called the meeting to order.

HCR 21 HOUSE CONCURRENT RESOLUTION NO. 21 (Relating to the proposed trans-Alaska gas pipeline) was brought up for discussion. Representative Randolph was present representing Rep. Hartig. He read Mr. Hartig's testimony (copy in bill file). After reading Mr. Hartig's statement, Mr. Randolph stated that he feels a major question before the legislature is how important the legislature's endorsement of this project is. He said that he feels it is in the best interest of the state to have El Paso and Gas Arctic competing. If this project isn't given at least tentative support and El Paso does not bid, then the state is in a situation of having only one company bidding. However, if the state puts itself in the position of wholeheartedly supporting one company, then that is a bind, too. These are the matters he feels must be decided.

Mr. Dave Rainey testified for El Paso. He said that the Arctic Gas people have been working for about four years to develop information which El Paso does not even have. He stressed the urgency of the legislature's providing some support so that hopefully they will be able to get some partners and get moving. They are already three or four years behind and if they intend to file a competitive position some time this summer, time is of the essence.

He said that El Paso can see no advantage to the state of Alaska in a gas pipeline going through Canada.

Mr. Warwick asked if Mr. Rainey has any objection to the rewriting of the language of the resolution, and he answered no, that what is needed is just some evidence of support -- it does not have to be wholehearted.

Mr. Tom Brown, Executive Director of Alaskans for Alaska, next testified. He said that his corporation is at this time making a study to see what the people of Alaska feel about HCR 21 and 51. He said that he was present to request the committee to hold the resolution until such time as they have completed the study. He does not feel that it is opportune for the committee to now speak for Alaskans before they have seen the results of the study. He

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said that Alaskans for Alaska feels that this is an important resolution and if the people of Alaska deem that this resolution is proper then the resolution should state that the people of Alaska support it. He asked that the resolution be delayed until the 25th of April at which time they expect their study to be completed. He stated that there are over 5500 members of Alaskans for Alaska.

Mr. Freeman asked if this organization has meetings, and Mr. Brown said yes, and they also carry on a lot of correspondence. Mr. Freeman asked Mr. Brown if his members are inclined to favor one gasline over the other at this time, and Mr. Brown said no, not at this time -- but they do feel it is important to hear the voice of the people on this. Mr. Freeman referred to the statement earlier made that El Paso feels it is important to have action on this resolution as soon as possible as they are already behind Gas Arctic, and he asked Mr. Brown if perhaps in encouraging this lengthy delay his organization was not perhaps aiding the cause of Gas Arctic to which Mr. Brown replied that he does not feel this is the case at all. He said that he has no dealings with Gas Arctic.

Mr. Specking asked for further information about this organization. Mr. Brown said that it was started in 1969 with only 9 members on the North Slope because they were dissatisfied with the hiring practices of the oil companies and their contractors. At that time non-resident hire was 95%. They helped the Pipeline Committee introduce legislation, which passed and was backed up by three Supreme Court decisions to the effect that it is legal for a state to discriminate in employment on state lands in favor of state residents for the benefit of those citizens. Mr. Specking asked about the structure of the organization. Mr. Brown said that it is a legal corporation and he is a legal lobbyist. At Mr. Specking's request, Mr. Brown agreed to furnish the committee with a list of the Board of Directors and officers. He said that they are not at liberty to give out the membership list as some of their members are employed by persons who might hold with a very different point of view and the employees might be fired or disposed of. The privacy of the membership list is, then, a matter of protection for those members.

Mr. Warwick asked who will be conducting the study, and Mr. Brown said the members. Mr. Warwick asked who will then make the decision based on the study results, and Mr. Brown said that the Board of Directors will. Mr. Warwick asked if they will meet with the gas people and Mr. Brown said no, that there is no reason for them to.

Representative Wilson mentioned to Mr. Brown that April 25th could be pretty close to adjournment of the legislature, which would in effect kill the resolution. Mr. Brown tenaciously held to the

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position that the people should be heard.

Mr. Freeman said that he had agreed earlier to hold the resolution at least until Monday when Gas Arctic will be present to testify and invited Mr. Brown to return at that time.

HOUSE CONCURRENT RESOLUTION 52 (Reducing State Ferry Fares for Persons over 65) was brought up for discussion. Mr. Barber said that the one thing missing in this bill which was present in a similar bill in another legislative session, is the clause stating that these reduced fares for the older people will be considered first class tickets and shall not be on a stand-by basis. He requested that the bill be held over so that he could prepare an amendment to that effect, and there being no objection from the committee, the Chairman agreed to do so.

[Mr. Randolph left at this time.]

HOUSE CONCURRENT RESOLUTION 36 (Relating to a study of utility and transportation facilities for tourists) was brought up for consideration. Mr. Freeman noted that the fiscal note on this is \$30,000. Mr. Barber said that he had attended the AVA symposium in Anchorage and this is on their list of priorities. The resolution is self-explanatory. Mr. Warwick moved that HCR 36 be reported out of committee. No objection, so ordered. The committee report showed a "do pass" majority, with Messrs. Haugen and Specking signing "no recommendation."

Mr. Warwick brought up a resolution relating to a study of corporate income taxes in Alaska which he proposed for Finance Committee introduction. He said that Mr. Boetsch of the Department of Revenue is very supportive of this and that he feels the same. He moved for committee introduction of the bill, requesting that it be referred to finance, however, as there are some things he feels need to be gone into further and perhaps changed. There was no objection and so the staff was directed to prepare the bill for committee introduction on March 18.

HOUSE CONCURRENT RESOLUTION 35 (Relating to visitor information centers) was brought up for discussion. Mr. Barber moved and asked unanimous consent that the bill be reported out of committee. No objection, so ordered. The majority report was "do pass", with Mr. Haugen signing "no recommendation."

Committee recessed briefly at 9:40.

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HOUSE FINANCE COMMITTEE

March 18, 1974

Monday

8:40 a.m.

Present: All members with the exception of Representatives Meekins, Ferguson, Barber, Haugen.

Also present were the following: Rep. L. Wilson; Dr. Josh Wright, Education Consultant; Tom Brown, Executive Director, Alaskans for Alaska; J. H. Hogan, Director, Legislative Finance; Kent Dawson, Fiscal Analyst.

Also present were Mr. Robert Miller and Mr. Joe LaRocca of the press.

CSHCR 21 Rep. Freeman, Chairman, called the meeting to order. He informed the Committee members present that CSHCR 21 (relating to the proposed trans-Alaska gas pipeline) had been held over from Saturday's meeting in order to hear testimony this morning from Arctic Gas representatives. Mr. Freeman said that Mr. Robert Ward, President of the organization, had told the Chairman that Arctic Gas may or may not have someone appear before the Committee at this time because they feel they have "lost this one". Mr. Freeman said there has been no further word from the organization.

Rep. Specking then moved and asked unanimous consent that CS HCR 21 be reported out of Committee; there being no objection, it was so ordered. The Committee Report was signed as follows: Majority Report recommending that HCR 21 be replaced with the Special Committee on Energy Committee Substitute for HCR 21 and that CSHCR 21 do pass: Freeman; Specking; Saylor; Warwick; Ose.

HB 518 Mr. Freeman then announced that Rep. Ose had requested a postponement of consideration on HB 518 (an act relating to a cost-of-living escalator index for certain public retirement pensions). There was no objection.

HB 750 Rep. Warwick then told the Committee that he wished to consider HB 750 (relating to municipal property taxing powers) at a later date. There was no objection.

The Committee then requested that all bills in Committee relating to retirement be scheduled for consideration on Friday morning.

Recess: There being no further business at this time, the Committee recessed at 8:50 a.m.

HOUSE FINANCE COMMITTEE

March 20, 1974

8:30 a.m.

Present: All members were present with the exception of Representatives Ferguson, Meekins and Barber. Also present were Representatives Banfield, Orsini and Wilson, Dr. Defoe of WICHE, Commissioner Campbell of the Department of Highways, and Mr. La Rocca of the Press.

HB 692 Chairman Freeman called the meeting to order at 8:30, announcing that this was a bill session at which House Bills 692 and 683 would be discussed. He first invited Commissioner Campbell, who was present to speak on HB 692 (Transfer of Highways from State to Local Jurisdiction) to make his presentation.

Commissioner Campbell said that HB 692 was introduced in the House and concerns the transfer of roads between the state and borough. At the present time, the state does occasionally replace an old segment of borough road and sometimes returns it to the borough. He said that he is not quite sure what the purpose of the bill is. This shifting can be accomplished now -- it is worked out between the state and borough each time. He said that he cannot recall offhand what roads they have transferred, but there is always an agreement between the borough and the state as to what will be done. This bill would allow two things to happen. It provides that the state must always be sure that the road transferred is in safe condition. He said that this would be difficult to define and noted that sometimes the state will transfer to a borough a road in an area in which the borough has a paving program. The state then would maybe take on another road. The second thing that the bill does is make reference to "safe condition" but provides no definition of "safe condition." Who would determine what safe is? He felt that if it was the borough, the state could be leaving itself wide open for demands for repair. He said that he thinks the present method for doing this is adequate.

Representative Banfield, sponsor of the bill, said that she introduced the bill for two reasons. One was as a result of concern expressed by one member of the Highways department who felt that it would be a good idea largely because of the condition of roads being used while other roads are being constructed, and the position the borough would then be in of having to take over a road that was not in good shape. She then contacted the Juneau Borough Attorney and he said that he felt it would be a good piece of law also from the angle that at the present time there is no legal means of conveying highways -- they have done it in the past but not under a legal authorization. This bill would establish some ground rules.

In response to some concerns voiced by Mr. Specking, Mrs. Banfield said that this bill will not change the present system for making

arrangements with local governments. It does say that the road must be maintained. It certainly should not be turned over in dilapidated condition. She said that the immediate influence on the bill was part of the Glacier Highway after the Outer Drive is completed.

Commissioner Campbell said that there has been no plan to turn that road over to the Borough. Rep. Banfield said that there will be houses needing an access road, and it will be that part of Glacier Highway. Mr. Specking said that that sounds like a local problem but this bill deals with the entire state. He said that he could not be satisfied with the language in the bill.

Mr. Warwick noted that there are funds in the Highways budget for maintaining the old Juneau road, so it does not look as if they are anticipating transfer. Mrs. Banfield said that whether or not they are going to turn over that particular road, she felt that it makes good sense to have provisions on the books for transferring roads.

HB 683 HOUSE BILL 683 (Relating to improvement of Alaska Statutes) was brought up for discussion. Mr. Orsini was present to testify.

Mr. Orsini, sponsor of the bill, noted that Alaska is a young state and as such does not yet have the problem that some of the older states have of having antiquated laws on its books. The purpose of HB 683 is to see to it that this doesn't begin to happen. The bill provides for systematic revision of the statutes by the legislative affairs agency, to be completed every 10 years. The committee appeared to be in agreement with this type of program, but the feeling was expressed that once every 10 years was too long. Mr. Orsini noted that the director of Legislative Affairs stated that they could accomplish this revision at no additional cost to the Agency. However, should their task be to accomplish this every year, they might not have the staff to do this and so Mr. Orsini said he would discuss that possibility with Mr. Elliott. There was some question as to whether or not this was duplication of the job of the Revisor of Statutes and Mr. Orsini said no. Mr. Haugen said that the one thing he would like to see changed in the bill besides the 10 year provision is that recommendations be made to the legislature rather than to legislative council as the bill now states.

Committee decided to have Mr. Orsini check with Legislative Affairs and then report back to the committee.

EDUCATION Dr. Defoe was present to present the WICHE budget. He passed out  
OFFICE OF pamphlets briefing the WICHE program (see department file).  
GOVERNOR

WICHE Dr. Defoe explained that the WICHE program provides support for Alaska students attending other schools in the western region in certain professional areas not available at schools in the state.

HOUSE/SENATE FINANCE COMMITTEES

March 20, 1974

3:20 p.m.

Present: Senators Groh, Sackett, Butrovich, Poland and Ray.  
Senator Silides.

Representatives Freeman, Ferguson, Haugen, Warwick,  
Specking, Meekins, Ose, and Saylor.

Herb Lehfeldt, City Manager Valdez; Wesley Clubb, Valdez;  
L. MacDonald, City Councilman, Valdez; Glen Chowning,  
City Councilman, Delta Junction; Bill Buckley, Fairbanks;  
C. W. Baer, Fairbanks; Brooks Henford, Seattle; and  
Jim Rowley, Fairbanks, were also present.

Trans Alaska Communities United. Senator Groh called the meeting to order and said the committees would hear testimony from a group called the Trans Alaska Communities United.

Mr. MacDonald, City Councilman from Valdez, stated that because of the impact caused by the pipeline the T.A.C.U. is requesting \$100,000,000. Senator Groh stated that he thought \$100,000,000 in impact money is unrealistic. He suggested that the group present specific items to the finance committees.

Senator Groh asked how much Fairbanks is requesting. Mr. Rowley stated that their figure had been arrived at by using a \$2,000 per capita formula for anything above normal growth. Fairbanks is requesting \$34 million. Mr. Rowley said they are not saying that they are going to spend this amount this year. He said they are "generally suggesting we are going to have to commit" this amount. Senator Groh said the State usually does not give money away that is not going to be spent.

Senator Groh suggested that rather than talk about these large amounts they discuss projects that the State can help with. Mr. Rowley stated that they wanted to alert the committees that there is about a \$100,000,000 effort needed to accomplish their goals and this recognizes the fact that this cannot be spent this year. They are recommending this is needed for capital projects. He added that the \$100,000,000 includes Anchorage.

Representative Saylor stated that he thought a grant not exceeding \$10 million for all communities of the State that are going to be impacted would be the "outside" figure. He suggested that next January they could present

information on impact by geographic locations.

Senator T. Miller entered the meeting.

Senator Groh said he thought they should be realistic in what they need this year. This should be defined by project, not on a per capita basis.

In answer to Representative Meekins, Mr. MacDonald stated that they are requesting \$100,000,000 plus part of the Governor's Impact budget.

Senator Butrovich stated that Alyeska had notified the Fairbanks School Board there would be 3,300 students added to the school system. Senator Ray stated that it was his understanding Alyeska had encouraged their employees not to bring their families.

Mr. Rowley spoke about some of the problems Fairbanks is having. He stated that the EPA would not even allow them to put cess pools in their city any more. He stated that in two or three years they would not need the money -- they do need a "little help up front" so they can be better situated.

Mr. Specking agreed that they should have "hard requests" and they should be broken down by capital and operating budgets, and by project.

Mr. Lehfeldt spoke on the problems in Valdez. He stated that if they had not had the pipeline the City of Valdez would not have needed any help. They now have to build a \$9 million school and their total indebtedness is \$2.4 million. He stated that the ad valorem tax boxed them in.

Representative Freeman stated that he personally has no objection to the State coming to the aid of areas that have the problem of impact as long as the people in the communities have done the best they can to aid themselves. He noted the per capita debt of Valdez and said he was not convinced they have made this effort. Mr. Lehfeldt stated that Valdez does have a low bonded indebtedness but he did not feel that this should go against them.

Glen Chowning, Delta Junction, said they were concerned with what the legislature is planning for areas like Delta Junction. Senator Groh said he would assume, as far as governmental services are concerned, the State would assist Delta Junction as it assists the other communities. A discussion followed on incorporated cities. Mr. Chowning pointed out that Delta Junction is incorporated but Glenallen is not.

Bill Tagosee, Barrow, stated that he was uncomfortable with the figure of 4% increase in population in order to receive impact funds. He stated there has been an indirect impact on Barrow. Senator Groh said there has been no legislative decision on what formulas should be used insofar as the rural communities are concerned. He added that this is something that is going to have to be considered.

Senator Groh suggested that specific project information be submitted to the finance committees. He stated that there will be impact legislation passed this session.

Recess: The meeting recessed at 4:07 p.m.

T.A.C.U.

TRANS ALASKA COMMUNITIES UNITED

I. STATEMENT OF POSITION

The recent issue of the pipeline permit has finally crystallized the concept of economic affluence and independence, stemming from the wealth to be derived from the extraction of the vast mineral resources in the Prudhoe Bay area, into concrete reality. The issuance of this permit has also brought into sharper focus the realization of the impact on present level of public services provided by those communities located along the pipeline corridor. The common concern regarding the cost of immediate and long-term increases in levels of service, as expressed by officials representing these municipalities, has culminated in the formation of Trans Alaska Communities United. The Board of Directors of this organization includes representatives from each of those communities who are anticipated to receive maximum exposure to pipeline activities. As the basic organization goal, the Board of Directors have identified the need to promote and protect members' interest as they relate to the impact of the construction of the Trans-Alaska Pipeline.

The immediate objective of T.A.C.U. entails the specific identification of the anticipated economic impact upon its member communities, both individually and in the aggregate. To meet this impact we agree with the premise outlined in Sec. 44.19, 581 of HB 638 that inasmuch as the state will be the prime beneficiary of pipeline construction via realization of enormous oil development revenues for the total state, it is logical that local impact financial burdens should be borne by the state as its investment in those future revenues.

In this regard it is the concensus of the group that the impact appropriation should be raised from the present figure of \$25,000,000 as stipulated in HB 637, to a more realistic figure of \$100,000,000.

Further in this regard, Sec. 44.19, 595 of HB 638, provides for the creation of a special legislative Pipeline Impact Review Committee. It is the feeling of T.A.C.U. that inasmuch as this organization represents the cities and boroughs most directly affected by the impact of pipeline construction that it would be in the best interest of all concerned to have three representatives of T.A.C.U. serve as advisory members of said Impact Review Committee.

We recommend that the Pipeline Impact Agency Office should procede with all due dispatch to provide a means of quickly and decisively determining specific impact problems and provide funds, facilities, personnel or other means for quick solution to those problems. For those communities along the pipeline corridor who have been unable to prepare a pipeline impact statement, we further recommend that the Pipeline Impact Agency Office render timely assistance to those communities in delineating the nature and scope of their need for impact funds.

If the Legislature does intend to meet the impact on facilities and services brought about by the anticipated overwhelming increase in numbers of citizens to be served by the respective impacted communities, then we urge timely and effective action to disburse funds appropriated for this purpose.

HOUSE FINANCE COMMITTEE  
March 21, 1974  
8:30 A.M.

PRESENT

All members of the Committee except Representatives Ferguson and Barber. Mr. Frank Seymour, Director of the Alaska Visitor's Association, was also present.

HB 596

Chairman Freeman called the meeting to order and said they would hear testimony on HOUSE BILL NO. 596 (An Act establishing a tourist development and visitor information center program).

Mr. Seymour explained this was one of the eight pieces of legislation that resulted from the interim hearings on tourism. The basic intent is to amend the existing legislation to increase the maximum potential grant to \$2,000 (it was \$1,000), and it would broaden the authority under which the money could be used. Mr. Seymour explained that the Division of Tourism has allocated funds that perhaps a lawyer could argue were not used appropriately. He said that the Division of Tourism and the Communities feel that there should be broader interpretation of how these funds could be used.

Mr. Freeman asked whether there were instances where the money being made available by the State for tourism were misused or mishandled. Mr. Seymour said that grants were only made to the extent of \$40,000 a year. He felt there wasn't enough available to abuse. He said that an example of how the money was used was the Totem Park in Ketchikan. No one was in charge of it, and so in order to get it cleaned up they would use the grant money. Other uses were in operation of information centers. He said it was a stop-gap measure. But added there were other measures before them which would direct them towards the real problems.

HCR 38

Mr. Freeman asked him to go on to HOUSE CONCURRENT RESOLUTION NO. 38 (Requesting the authorization of adequate funds for the placement of an information specialist in the Alaska Travel Division in Anchorage).

Mr. Seymour said this was another of the eight pieces of legislation resulting from the interim hearings on tourism held in Anchorage last November. He said the Division of Tourism has had no change in staff size in the past four years even though the industry has increased 50%. He said that of the three positions A.V.A. recommends, this particular one had the highest priority.

Mr. Specking asked who the top person in the Division of Tourism was, and Mr. Seymour said it was Mr. Guy Russo.

Mr. Seymour went on to say that he was in contact with the Division of Tourism 20 to 30 times a year, and he could testify to the fact that their staff is a hard working, over-burdened group of people.

Mr. Seymour explained that the Information Specialist would be stationed in Anchorage and would perform information services plus several different responsibilities. He said that people in the travel and tourism business travel through Anchorage 15 times more than what they do to Juneau. He said they needed more constant contact between the State government and the industry. Hopefully, the State will become much more involved in the Visitor Information Service. He said there were 1.5 million people that passed through the Anchorage Information Center in the International Airport, and it was presently staffed by Volunteers.

Mr. Specking asked whether the industry considered the information centers to be of value, and Mr. Seymour said yes. He said they had testified that it was of high priority.

Mr. Specking wondered whether industry couldn't take care of it themselves. Mr. Seymour said that what they needed was a representative of State government in Anchorage to be of assistance in communication with the industry. He said that was one of the basic problems. They couldn't have industry communicating with industry.

There was further general discussion.

RECESS

Meeting recessed at 9:00 A.M.

HOUSE FINANCE COMMITTEE

March 25, 1974

8:35 A.M.

PRESENT All members except Representatives Warwick, Meekins, and Saylor. (Representatives Meekins and Saylor arrived shortly). Rep. Wilson was also in attendance. Mr. Norman Gorsuch, Attorney General, and Mr. Bob Pavitt, Director of Planning and Research, were present to testify.

HCR 81 Chairman Freeman called the meeting to order and said that HOUSE CONCURRENT RESOLUTION NO. 81 (Relating to the taking of the state's royalty interests in kind) was up for discussion.

Mr. Gorsuch explained that under the terms of the oil and gas leases, the State can chose to take its 1/8 royalty either by selling it to the field owners and producers or request to take it in kind. The State, in view of the current energy problems determined to pursue the taking of its royalty in kind, which at maximum production would be 250,000 barrels per day of North Slope Crude. He said there has been a great deal of interest in the purchase of the State's royalty Crude. Requests have come from various oil companies and refineries. Some have been interested in simply purchasing the crude on a sliding price basis. Other have been interested in the crude as an exclusive source for development of a refinery or to be used for various petrochemical industries.

Mr. Gorsuch didn't know that it was necessary to notify the state's lessees of the North Slope leases of the State's election to take its oil and gas in kind at this time, since they were still exploring the idea. He said they should simply request the Governor to look into the approach. He thought they should add the Department of Environmental Conservation to the Departments instructed to actively pursue contract negotiations for the utlization of these royalty resources in the State.

Chairman Freeman said that since this was simply a request of the Governor to look into the approach and would have no binding effect, he wondered if Mr. Gorsuch saw any detrimental effects.

Mr. Gorsuch said he saw no detrimental effects if it were amended to broaden the Departments pursueing the negotiations by adding the Department of Environmental Conservation. He thought that would make it more consistent with what they wanted to do on the issue. He said that with respect to taking the North Slope's royalty revenues in kind, it would be better not to notify the State's lessees at this time.

Mr. Freeman requested Mr. Gorsuch to write out a suggested amendment for the Resolution.

HCR 82 Chairman Freeman then asked Mr. Gorsuch to comment on HOUSE CONCURRENT RESOLUTION NO. 82 (Relating to the development of Alaska's energy resources).

Mr. Gorsuch said that HCR 82 requested the Governor to take immediate action to accomplish 5 items. The first was a request that the U.S. Government expedite the transfer of state- and Native-selected land to those parties entitled to the land. He said they had already been pursuing this, and that the Resolution couldn't do anything but help them.

Mr. Gorsuch said he would skip item no. two which was support for the early petroleum development of the Gulf of Alaska, because Mr. Pavitt would speak to that one.

Mr. Gorsuch said that the third item, to negotiate an agreement with the U.S. Government or, in the alternative, file a proposed plan with the U.S. District Court for Alaska for the exploration and development of the disputed submerged land areas of the lower Cook Inlet, such agreement to include an arrangement for the escrow of bonus, rental and royalty payments for the leased lands and minerals, they have also been pursuing. He said they had recently received a favorable judgment from the Ninth Circuit Court of Appeals on the Cook Inlet Case. He said they were going to pursue it with the federal government to see if they wanted to abandon the appeal. Otherwise, they will continue to engage in discussions. He said they had already received some discussions with U.S. officials on some developments and explorations of the Cook Inlet escrow arrangement, and had discussed with them the fourth item.

The fourth one, which was to provide for the state leasing for minerals, submerged and upland areas of the Gulf of Alaska and additional land on the north slope of Alaska, would have to be done on a long-term basis and certainly they had to look at the inflationary impact on the State. He said it would have a substantial inflationary impact on the economy as well as a cash drain on the oil companies, so one would have to take factors like that into account in order to maximize bonus payments on any leasing they would do.

The fifth item, to establish an energy policy for the state which includes the assessment of the state's energy potential, an aggressive long-range mineral land leasing policy and a positive approach to energy resource development in the state, is something else they are looking at. The Governor does have a bill in to establish an Energy Council, and one of its jobs would be to provide long term analysis of energy potential, and this analysis would then be made available to the Dept. of Natural Resources, the Natural Gas advisory board, and other effective energy decision makers.

Mr. Pavitt said he would address his remarks to item (2), supporting the early petroleum development of the Gulf of Alaska. He said they didn't feel it was in the best interests of the people of Alaska to support early petroleum development of the Gulf of Alaska. Some of the arguments put forward regarded some of the points Mr. Gorsuch made. The fact that development would be uncoordinated and piecemeal would not be in the best interests of Alaska when the Gulf of Alaska leasing would produce no royalties or interest to the State while the State would be bearing the cost of on-shore development.

Mr. Freeman asked Mr. Gorsuch if he had had a chance to testify before the Special Energy Committee, and Mr. Gorsuch said he hadn't. Mr. Freeman said that if they would like to wait, he would have Mr. Hartig, Chairman of that Committee, over in a few minutes to testify.

Mr. Hartig arrived, and Mr. Freeman had Mr. Gorsuch brief him on the Attorney General's point of view.

Mr. Hartig explained that his Committee had been looking into particular problems of Alaska. They heard testimony from the industry and were attempting to see what the State could do to help alleviate the energy crisis in Alaska. They were also seeing what they could do about the problem in the lower 48. When reviewing different forms of energy potential, they had decided that oil and gas came first, and utilization of coal came second. The up-coming nuclear power and hydroelectric power seem to be 8-10 years away. He said they propose to make land available for oil and gas, and so they had been speaking with the industry and the Department of Natural Resources.

HCR 82 The Committee had introduced the bill because they feel they have to look at it from the point of view of the whole state and that of the United States as well. He said they were trying to make available those areas with high potential which the industry is interested in. The Committee feels it is up to Alaska to set the program, and they are asking for an energy policy to provide for the state leasing for minerals submerged and upland areas of the Gulf and additional land on the North Slope.

HCR 81 Mr. Hartig didn't really think there was any problem with HCR 82. He then went on to speak in favor of HCR 81. He said they had talked with Mr. Lipton who had mentioned that they should seriously be considering taking the State's royalty in kind. He said the thing is that if they notify the industry that they are going to do this, it doesn't commit them to it, but it sets out to the public that it is what is going to be done, and they will end up with more possibilities of different industries interested. He said that here was an opportunity for Alaska to build its own petrochemical and fertilization plants. The Special Committee on Energy felt that Alaska should take the positive approach.

There was some discussion among the Committee members. It was decided to have Mr. Gorsuch and Mr. Hartig get together and decide on areas of agreement or disagreement. They could come back before the Finance Committee the following morning.

RECESS Meeting recessed at 9:45 A.M.

HOUSE FINANCE COMMITTEE

March 26, 1974

8:30 a.m.

Present: All members were present with the exception of Representatives Ferguson and Meekins. Also present were Representatives Wilson, Hartig, Orsini, and members of the Alaska State Fair Association.

Chairman Freeman called the meeting to order at 8:30. Mr. Hartig was present to discuss HCR 81 and HCR 82.

HCR 81  
HCR 82

Mr. Hartig said that he met with the Attorney General's Office on HOUSE CONCURRENT RESOLUTION 81 (Taking of the State's Royalty Interests in Kind) and that they agreed to certain changes in the language. Proposed changes are: on line 20, following "state's" delete "election" and insert "intent to elect"; on line 23, delete the "s" on "Departments", following Resources, delete "and Economic Development" and insert language to read "in consultation with the Departments of Revenue, Economic Development, Environmental Conservation, Community and Regional Affairs and the Director of Planning and Research."

Mr. Hartig said that in his meeting with the Attorney General's staff member, he also discussed HOUSE CONCURRENT RESOLUTION 82 (Development of Alaska's Energy Resources). However, they were unable to come to an agreement on this resolution. Mr. Hartig said that in his opinion the resolution is fine. The AG's Office did not think so.

Mr. Warwick said that there is some concern from the operators of various utilities in the state that they will not be able to make use of the state's utility law. After talking with the Attorney General, Mr. Warwick said that he shares that concern. Some of the utilities need a commitment from the state so they can order equipment. He wondered if Mr. Hartig could suggest anything. Mr. Hartig mentioned that the House did pass HB 461 (State's royalty and gas). Present forecast state needs must first be determined. Every day industries are now approaching the state on buying royalty oil and gas. He said that he thinks the state must look at what its best interest is in terms of creating industry and labor.

Mr. Warwick said that he is concerned with what the state is going to do after they take the royalty oil and gas. Mr. Hartig said that the problem is that the state has done nothing with a positive approach to the energy situation in the state. Nothing has been planned for ~~these~~ royalty interests in kind. There is a bill in the Senate which ~~would~~ develop an energy committee. He said that he feels the committee should be developed -- and should be independent of the Governor although he will make determinations.

Mr. Barber asked if there is a specific time plan for any of this, and Mr. Hartig said no; there are two or three years. However,

he saw no reason not to go ahead and tell the industry the state is going to take its royalty interest in kind so that they can then make their plans.

HB 683 Mr. Orsini was present to testify on HOUSE BILL 683 (Improvement of Alaska Statutes). Mr. Orsini had been before the committee on this bill before, and the committee had had requested that he check into two points, one being the reason for the revisor's reports to go to Legislative Council rather than to the legislature itself and the other being the possibility of having yearly revisions rather than every 10 years. Mr. Orsini said that he talked with the Director of the Legislative Affairs Agency who said that there is no reason that the revisor's recommendations have to go to the Legislative Council. This is just a way for getting the recommendations to the legislature. They could be submitted to the Rules Committee. As per the possibility of yearly revisions, the Director said that to do the revising yearly would require additional staffing. However, he told Mr. Orsini that he thought they could do this every other year without needing to increase their staff, which would mean that the statutes would be revised once every session.

Mr. Warwick moved and asked unanimous consent that HB 683 be amended by on page 1, line 19, deleting the word "ten" and inserting in its place the word "two." No objection, so ordered. Mr. Warwick moved that HB 683 amended be reported out of committee with a unanimous "do pass" recommendation. No objection, so ordered.

HB 81 Mr. Warwick moved that HCR 81 be reported out of committee with the amendments Mr. Hartig had suggested. Mr. Specking objected. He requested that the committee hold action on the bill for another day as there is a bill presently in Resources which he would like to see up in Finance before action is taken. Mr. Warwick withdrew his motion.

ALASKA FAIR ASSOC. Representatives of the Alaska Fair Association were present at this time to advocate Finance Committee support of their programs. General representative for the group was Sherry Murry, President of the Board of the Alaska Fair Association, and also representing the Kodiak Fair. Other persons present were James Baker, representing the Palmer Fair, Janet Baird, representing the Tanana Valley Fair, Linda Matthews, representing the Southeast Fair (Haines), John Hale, and Dorothy Fossum, Manager of SE State Fair.

Ms. Murry said that the Association is requesting support from the committee in three areas: support for the \$3,012,000 in bond monies (HB 477); support of the matching state operational funds for \$8,000 and \$25,000 depending on type of fair; and for the capital improvements projects.

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The representatives of the various state fairs all testified, presenting the committee with materials and photographs from past fairs. The presentations all ran along the same lines -- that the fairs have been growing considerably; that they represent a genuine and honest cross section of the people of Alaska; that they cut across generation barriers and provide a positive focus for young people; that the buildings are needed (in Haines and in Kodiak, these are particularly related to needs for young people for such things as a 4H Center; in Palmer it is utilities - water and electricity that are needed) and that the communities make excellent use of the match monies provided to them. Statistics on attendance at fairs shows considerable participation; for instance, the last Palmer fairs had a larger participation than that in Cincinnati, Ohio.

The group closed its presentation, once again enlisting the support of the committee and thanking them for their support in the past.

HB 673 HOUSE BILL NO. 673 (Establishing the Alaska Fisheries and Game Development Fund) was brought up for discussion. The committee had before it both the original bill and the Resources Committee substitute. Mr. Specking and Mr. Haugen were both primary sponsors of this bill. Mr. Specking explained that the idea behind this is to hold on to some of the money coming from non-renewable resources to help in development of renewable resources. The Committee Substitute sets a limit on the fund. There was an attorney general's opinion to the effect that this was legal. Mr. Barber wondered if it was done by someone reliable.

Mr. Saylor said that he could not support this because of the amount of money involved. After further discussion when the point was made that this is for Fisheries development (and Game development according to the committee substitute) only, Mr. Saylor said he could not support for that reason, also.

Mr. Freeman felt that perhaps a 1976 effective date would be more acceptable.

HCR 52 HOUSE CONCURRENT RESOLUTION 52 (reduced ferry fares for persons over 65) was brought up for consideration. The question of whether or not to include meals, vehicles and staterooms came up. Committee sentiment was to keep the reduction to the fare itself. The idea of having free fares was brought up and committee sentiment was generally favorable; however, they felt the resolution stood a better chance at passage if the fare was 1/2 price. There was concern that these reduced fares would be considered second class tickets. Mr. Warwick moved that on page 2, line 8, the words "on a space-available basis" be deleted. No objection, so ordered. Mr. Warwick moved that the bill be reported out as amended. and there being no objection, it was so ordered. Majority report was "do pass".

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HB 750

HOUSE BILL 750 (Relating to municipal property taxing powers) was brought up for consideration. Mr. Warwick moved that the bill be replaced with a new committee substitute and be reported out of committee. No objection, so ordered. Majority report was "do pass" with Mr. Specking signing "no recommendation."

Recess:

There was brief discussion on scheduling of meetings and the committee recessed at 10:20.

3/26/74

HOUSE FINANCE COMMITTEE  
March 27, 1974  
8:35 A.M.

PRESENT

All members of the Committee except Representatives Meekins and Ferguson. (Both arrived later in the meeting.)

HJR 94

Chairman Freeman called the meeting to order and said the first item on the agenda was HOUSE JOINT RESOLUTION 94 (Relating to the restoration of service from the Snettisham power project).

Mr. Saylor moved that they pass out HJR 94 with individual recommendations. There was no objection, and it was so ordered.

Chairman Freeman then brought HOUSE BILL NO. 606 (An Act relating to the issuance of restaurant liquor licenses) up for discussion.

HB 606

Mr. Haugen said that he and Mr. Warwick had been working on a Committee Substitute for HB 606 and had tightened it up to where you had to be a bona fide dinner house in order to qualify.

Mr. Warwick said they had worked with Mr. Doogan and he has come up with a bill he thinks is pretty good. Mr. Warwick tended to agree with him. It calls for a different type of license with the nomenclature "type B". As far as the enforcement officer is concerned, he can go off the premise and determine what type of a license it is. It sets up mechanism for issuing licenses mainly by the ABC Board as public convenience and necessity requires. There is a provision in the Bill that if the people don't want it, they can reject it by petition. There is also a provision that the license can't be transferred except under certain circumstances, and it has to be on the same premises. There is a definition of restaurant, so there is no question as to what qualifies. Under no interpretation of the law can pizza joints or hamburger joints qualify.

Mr. Saylor said there were a couple of things that bothered him. One was on page 2, line 8, where it says that if the premises are converted to anything other than a restaurant, the license would be subject to revocation. He thought that it should be a more positive statement and say that the license "shall be revoked". Both Mr. Haugen and Mr. Warwick agreed with him.

Mr. Saylor said the second thing that bothered him was the sentence on lines 16-19 which said that no more than 35% may be used for a cocktail lounge. He didn't think they wanted people to sit down and buy a drink while they were waiting for dinner. Mr. Haugen agreed. Mr. Saylor thought they should take out the provision for a cocktail lounge. Mr. Warwick agreed that they should remove the whole sentence.

Mr. Barber said he was going to plead conflict of interest when the vote came. He pointed out that there was going to have to be a bar, and he said he thought it should be located so that it was inaccessible to the dining area.

Mr. Saylor thought the answer to the problem would be to locate it in an inaccessible room.

[Mr. Meekins arrived at this time.]

Mr. Warwick moved that Committee Substitute for HB 606 be passed out of Committee with amendments on page 2, line 10 deleting "is subject to revocation" and saying "shall be revoked", and on line 16-19 deleting the sentence regarding the cocktail lounge.

There was general discussion. Mr. Barber said he couldn't imagine it passing on the floor. Mr. Saylor didn't think that people with liquor licenses would even think about converting to this type of license if it meant only serving liquor with meals. Mr. Freeman said that he had already warned Mr. Haugen that he wouldn't support the bill on the floor. Mr. Specking felt the same as Mr. Freeman.

The question was called, and there was no objection to moving the bill out with individual recommendations. The Committee Substitute was to be typed up, and the Committee will sign the report when it comes back to them.

SB 451

At this time Mr. Freeman brought up SENATE BILL NO. 451 (Supplemental appropriation to the Department of Administration for employee pay increases and benefits) for discussion.

Mr. Freeman told them that SB 451 was in conjunction with SB 450 (pay for state employees) and read Section 1 of that bill. He explained that from July 16, 1973 through January, 1974 they would get 6% of their gross wages which would accrue for the first figure of \$3,386,300 and from January 15 through July 1, they would get about 13.5%.

Mr. Freeman said that on the proposed bill, on line 23 they would find PERS excess funding of \$4,500,000. What they have been doing is to use last year as a base for comparison and knock it down 4% because they had 4% too much. The 4% is this \$4,500,000, so the 4% they have knocked out is only a matter of comparison. They have that money, but it has been impounded. What they propose to do is to use \$2,000,000 of vacancy reserve and this \$4,500,000 to compensate their actions. The proposal is to use money already appropriated which is unused.

Mr. Freeman said they would have to do the vacant slots in SB 448. This bill, SB 451, is just the retroactive part of it.

Mr. Meekins said he wanted to know where they got the figure \$5,547,000 because \$2,000,000 and \$4,500,000 don't add up to that.

Mr. Freeman said the original proposal on SB 451 had a full price of \$14,470,000. They had eliminated the fringe--employee health insurance and so forth. That left a total of \$12,047,500 which is just the retroactive and the pay increase. They subtracted \$6,500,000 from that. The \$6,500,000 was made up of the \$4,500,000 of reserve and the \$2,000,000 of vacancy reserve. That left the \$5,547,500 figure. The amount of money the employees would get would still be \$12,047,500, but they have \$6,500,000 left over already appropriated that they can spend.

Mr. Freeman said that of the \$5,547,500 that the administration proposes to spend of general fund money, they will take that as listed on page 2 of the Bill.

[Mr. Ferguson arrived.]

Mr. Jay Hogan said that \$6,375,000 was the original Governor's bill, and \$4,400,000 was the pro-rated share of what was required.

Mr. Meekins asked what was to prevent whoever got this from taking the new figure of \$12,000,000 and just spending it on a pro-rated basis on all of these other things.

Mr. Freeman said that the law which allowed the administration to negotiate in the first place had a phrase in it which said it was subject to funding by the legislature. He said that the responsibility for appropriating the money belonged to the legislature. He told them that on the left hand side of the page in the bill, are the things negotiated. On the right hand side are the figures, which the legislature can change, or do what they want to with.

Mr. Freeman said that the administration, with the thought in mind that the legislature may not care to fund these agreements, have line itemed them out so that the legislature, by manipulating the figures on the right side of the page, can veto it. Then the legislature can say the legislature appropriated money for pay raises, but not the rest. They had worried that if the legislature just put in a lump figure, then the administration would have to fight with the employees over how to pro-rate it out. That is why the bill had line itemed the negotiated things.

Mr. Freeman said that based on research he had done and on projections from the Department of Revenue, \$420 million is all the State can afford without going into the hole. He was referring to Total Budget.

Mr. Meekins didn't completely understand what he was saying. He thought that if they were going to spend \$12 million, they were going to spend \$12 million, and it didn't make any difference whether they spent it on two of the line items or all ten.

After much discussion of this matter, Mr. Saylor said he could understand Mr. Meekins' concern, and if he were an employee, he would want it pro-rated over everything. However, as a legislator, he wanted to do what was in the best interests of the State and not fund it all. He explained that once they establish the items as pro-rated, then it means they have accepted it, and next year they would end up having to fully fund it.

Mr. Haugen said that most of those fringe benefits are ones they are already getting, and the legislature just wouldn't be agreeing to increase the amount of participation. He said there was a real need that they get a raise in pay to meet cost-of-living increases, and he felt that was the most responsible and justifiable area to support.

Mr. Warwick said that rather than fund the pay-raise at 100%, they should fund it at 80%. That way everybody would get the full pay raise, and the administration will be hard pressed to find the money.

Mr. Freeman agreed with him. He said that at 80%, they could do it, but what they couldn't do would be to pick up new people. Mr. Freeman said there were 1,854 vacancies as of the 28th of last month.

Mr. Warwick pointed out that there was a moratorium on hiring already and that all new hires had to go through the Governor.

Mr. Freeman said he wanted to take a reading of the committee members as to their feelings about the bill. He said he was determined that a responsible stand be taken on this piece of legislation. He said this legislation was part of a package of 7 bills, and if they didn't take a responsible position on this one, some of the other ones would have a hard time getting out of this committee.

It was decided that the Committee could have time to think it over, and they would discuss it again tomorrow.

RECESS

Meeting recessed at 9:45 P.M.

AFTER RECESS  
March 27, 1974  
2:15 p.m.

Present: All members. The meeting was called back to order after a brief at ease.

SB 441 (am) Rep. Freeman, Chairman, informed the Committee that they had been asked to take action on SENATE BILL NO. 441, a supplemental appropriation to the Legislative Affairs Agency in the amount of \$474,500 (amended version of the bill which was referred to the House Finance Committee) for additional expenses for the fiscal year ending June 30, 1974. Mr. Jay Hogan, Director of the Legislative Finance Division, distributed a letter from John Elliott, Executive Director of the Legislative Affairs Agency, which provided a breakdown in cost (see bill file).

Rep. Specking then moved that the Committee report out SB 441(am) with do pass recommendations. Rep. Saylor's objected. The question was called for and the vote to report out the bill was 6:3 favoring Mr. Specking's motion.

The Committee Report was signed as follows: (members signing the Majority report) Freeman, Barber, Ose, Specking, Haugen, Meekins. (members not concurring in the Majority report) Ferguson, Warwick, Saylor's.

And so, SB 441(am) was reported from Committee.

Recess: There being no further business at this time, the Committee recessed at 2:30 p.m.

HOUSE FINANCE COMMITTEE

March 28, 1974

8:30 a.m.

**Present:** All members were present with the exception of Representatives Ferguson, Meekins and Saylor. Also present were Mr. Hall, Manager of the NBA in Juneau, Representatives Randolph and Wilson, representatives of the Associated Students at the University of Alaska, Messrs. Charney and Jacobs and Ms. Crondahl of Budget and Management, members of staff and press.

**HB 630** Chairman Freeman called the meeting to order, and said that the committee would begin with consideration of HOUSE BILL NO. 630 (An Act Relating to the business license tax on banks and financial institutions). Representative Randolph and Mr. Hall were present to testify on the bill.

Representative Randolph, sponsor of the bill, said that he felt taxation of any kind should be on an equitable basis. Those benefiting the most should be taxed the most -- and this is the way the system works, except for financial institutions, he said. For years financial institutions paid only 2%. Last year this was raised to 7%, but Mr. Randolph said that he still feels that is inadequate. HB 630 would not affect the percentage until the net profits are up to \$1/2 million. Then, from \$1/2 million to \$1 million it will be 9%; \$1 million to \$2 million it will be 11%; and over \$2 million it will be 13%.

Mr. Randolph referred to a letter addressed to him from Mr. Fred Boetsch, Director of the Audit Division in the Department of Revenue and dated March 13, 1974 (copy in bill file) which states "In order to be completely comparable, then, a rate schedule for banking institutions should be set up which would tax the first \$25,000 of net income at 7.5% and everything over \$25,000 at 13%."

[Reps. Meekins and Saylor came in.]

Mr. Randolph pointed out that HB 630 does not go as far as Mr. Boetsch's letter would indicate, and that he feels the bill is thus more than equitable and should be enacted into law.

Mr. Barber asked if this budget hadn't come up last year, and Mr. Randolph said yes, although not quite in this form. There was a compromise made in the Free Conference Committee last year which was then not followed through by a couple of the FCC members on the floor last year.

Mr. Hall of NBA was present to testify against HB 630. Mr. Hall said that last year, the effect of the increased percentage from

2% to 7% was an increased cost of \$100,000. He noted that the bill which passed last year was higher than the administration had requested. At that time the administration had asked for 6%. He said that NBA is opposed to the bill. They do not deny that prior to 1973 they were in a favorable tax position, but last year changed that. He stated that banks have historically been given a favorable tax position. He continued, stating that prior to 1969 banks were excluded from certain taxes but now they pay the same taxes as any other corporation except that they are taxed on a franchise basis rather than percentage or gross receipts. He noted that tax exempt income is not taxed by the federal government, but in effect he feels that this bill is attempting to tax the banks for their tax exempt income.

Mr. Hall presented some figures on taxes paid for 1971-73 and projected for 1974, versus what they would pay as a regular corporation using IRS regulations. They are as follows:

	Paid	Paid if reg. corporation
1971	81,300	208,300
1972	85,451	184,378
1973	255,138	130,945
1974	316,250	214,694

Noting the change in 1973, Mr. Hall said that now, under the 7%, they are paying more than a regular corporation. He said that there are only two major banks in the state affected by this: National Bank of Alaska and the First National Bank. In the case of NBA, they have 29 banks throughout the state (1st National also has branches throughout the state).

Going more into the question of limiting tax benefits to state and municipal securities, Mr. Hall said that there is a reason state and municipal securities are tax exempt. It is designed to help communities borrow at lower rates of interest and to keep these rates down. Banks, being a financial structure, buy a lot of these securities. If the tax exempt factor on those securities is taken away, the rates will be increased to the people in the smaller communities.

As per Mr. Randolph's comment about people paying more taxes as they make more money, Mr. Hall said that this is true for individual persons, but not for corporations. Corporations are taxed at 52%. He said that the increase to the state for HB 630 would only generate \$400,000 to the state in tax revenues. He noted that there has been a great deal of study on state and federal taxation, and that one of the key provisions has always been to protect banks from discriminatory legislation. He views HB 630 as such discriminatory legislation.

In response to questioning by Mr. Specking about municipal loans, Mr. Hall said that cities borrow money on the bond route. These bonds are tax exempt to the holder. They will normally sell lower on the market. Rate will be such to give the holder the equivalent of 9%. That benefit is then passed on to the holder. If the bank has to pay taxes, however, they will have to increase the interest rate.

[Mr. Ferguson came in at this time.]

Mr. Hall noted that both of the larger banks serve smaller securities. Out of NBA, there are \$65,000 worth of municipal securities out of their \$114,000 total securities. He said that he does not know what percentage of that is Alaska securities.

Mr. Meekins asked Mr. Randolph's comments on Mr. Hall's statement that the percentage in the bill was come up with so as to, in effect, charge on the exempt income. Mr. Randolph said that he did not work with that in coming up with his percentage figures at all. He further mentioned that for years they have been trying to get information on what the banks are doing in the various smaller communities, and if this bill would get them to show taxes on each of the banks, it would certainly have accomplished something. With reference to the 600 stockholders, to whom Mr. Hall had made reference in passing, Mr. Randolph noted that the majority of stocks are held by only 10 of those 600.

Mr. Barber asked Mr. Boetsch about the sentence in his letter which Mr. Randolph had quoted, and the use of the word "comparable." He wondered about using the word "equitable." Mr. Boetsch said that he did not use the word "equitable" because it implies a value judgment. However, if one assumes that equitable means two different types of business having the same income in the same situation would be paying the same taxes, the word equitable could be used. Mr. Barber then asked about the word "fair" and here again Mr. Boetsch said that this is a value judgment, but the same reasoning would apply.

Mr. Hall here made the point that the bank is taxed on a franchise basis and cannot be compared to a regular corporation taxed on a percentage of gross receipts basis.

Messrs. Randolph, Hall and Boetsch left. Present at this time from the Associated Students of the University of Alaska were Messrs. Chip Wagoner and Bob Williams, and Ms. Carol Wolbey.

Mr. Wagoner said that ASUA are trying to secure \$600,000 GO bonds for book acquisition for the Elmer Rasmuson Library at the

U OF A  
GO BONDS

with that money is to enlarge the dorm rooms, put down carpeting and buy better furniture in order to attract students to the dormitories. However, he said that that still will not fill the dormitories as a major reason students will not live in the dorms is that they are then forced to buy a meal ticket for \$475 and besides the fact that they can eat more cheaply on their own, they don't particularly care for the food, anyway.

Another place he said they could save money is on the \$1 million request for a warehouse. There was \$1 million lapsed from the 72 bond issue, and Commissioner Henri on February 6 recommended that this \$1 million go toward the Warehouse, also. So, if the \$1 million is approved, there will be \$2 million total for a warehouse. He said that the University does not need a \$2 million warehouse.

Another place they could save is with the request for a new dining facility in the Wood Center. A poll of the students indicated 62% opposed to this. Mr. Wagoner said that one reason they want the facility is so they can use the other one for a museum. Right now there are two facilities, the smaller of which is closed.

The ASUA representatives once again emphasized the terrific importance to a University of having a good library, and noted that even if they get this request, it will still be 1980 before they are brought up to minimum standards.

Mr. Freeman commended them on their presentation and they left at this time.

\*

ADMIN. OF  
JUSTICE

Mr. Jaimie Love was present at this time to present recommendations on the Administration of Justice Budget. Mr. Love has been working for the House Minority Caucus to reserach some of the criminal justice issues. His recommendations are appended hereto.

Meeting recessed at 10:00 a.m.

HCR 81  
HCR 82

\*Mr. Specking moved and asked unanimous consent that HCR's 81 and 82 be reported out of committee. No objection, so ordered. HCR 81 was reported out of committee with a unanimous "do pass" recommendation. HCR 82 was reported out with individual recommendations, Messrs. Warwick, Saylor and Ferguson voting "do pass"; Mr. Meekins voting "do not pass unless amended"; and Messrs. Freeman, Use and Barber signing "without recommendation."

3/28/74

HOUSE FINANCE COMMITTEE  
March 28, 1974  
1:35 P.M.

PRESENT All members of the Committee. A delegation from Ketchikan was present.

Ketchi-  
kan Deli-  
gation

Chairman Freeman called the meeting to order. He said that there was a delegation of concerned residents from Ketchikan in attendance who would like to impose on their time to explain some of the problems important to them that are before the Committee. He introduced Mr. Lynn Lawrence, who in turn introduced the rest of the delegation.

Mr. Freeman asked them to go ahead with their presentation.

Mr. LaFaith said that the first item he wanted to discuss was the need for additional room for the Sea Education Programs. At the present time they have a very limited space which is used strictly as a lecture room. He had spoken with the Director, who had said he would like two additional buildings--if possible, he needs a lecture room and a work room. At the present time they have a lot of equipment and nets, but no place to go to work on them. He said this was very important. He gave a cost estimate of around \$50,000. There is presently some city property available near Bar Harbor on which these buildings could be put. They expect classes to increase tremendously next year, probably by half as much.

Mr. LaFaith said he was also speaking on behalf of the Fishermen's groups there. The first bill on his list is HOUSE BILL NO. 475 (GOB: fish and game facilities). They feel this is very important at this time. The next bill is HOUSE BILL NO. 476 (GOB: fish and game facilities). They feel this is very vital due to the fact that our high seas fisheries and waters near shorelines are being violated. At present there is a very small amount of protection. He talked with Coast Guard Skippers on two of the vessels of the vessels. One patrols 3400 miles. There is no way in the world this vessel can adequately patrol this area. So there is definitely a need.

Mr. LaFaith said they were also interested in HOUSE BILL NO. 673 (Establishing the Alaska fisheries development fund) and HOUSE BILL NO. 674 (Funding of division of fisheries rehabilitation, enhancement and development). He said these were definitely needed because they would be taking non-renewable resources and putting them into renewable resources. He said the money could be used to enhance the fisheries program.

Mr. Bill Baker was the next person to speak. He wanted to add that they have about 120 students in the Sea Education Program. He said it was the first such program on the West Coast. They sent teachers to the East Coast. The federal government put them up in business, and it has been strictly a local project in the last few years. He said they have had considerable results. He said they felt that with a little help, they would have facilities to accommodate increased enrollment.

Mr. Baker mentioned two other projects they were interested in. One is continuation of the Wolf Bounty. He said that a lot of the sportsmen in the area have donated a lot of time to the Forestry Service to help maintain the area. They wanted the Wolf Bounty to be continued.

The other project was to try an Elk Transplant. He said they had brought an expert up from Washington who had suggested they try to get a little funding to do this. He thought they needed a few thousand dollars. If they had that, they could get Sports and Wildlife to help locate the animals. He said that Fish and Game was becoming more and more a very valuable resource.

Mr. Ed Zastoro said that two other measures important to them are: SENATE BILL NO. 350 (State assistance in construction of port facilities) and SENATE BILL NO. 351 (GOB for port facilities development projects). He said that approval of those bills would improve the methods of developing the water front. He pointed out that there would be 120 cruise ship coming into their city this summer, 3 of them would be there at the same time. Presently they have room for only one. Cargo handling is also a problem. Mr. Zastoro said that there is a water front development study which will fit in well with the proposed bills.

Mr. Al Stewart spoke regarding the School Foundation Program. What he felt was needed was increased participation by the State. Without an increase, all the municipalities will increase property taxes to take care of the inflationary effects and the cost of education. He said he hoped the school debt program would be funded at 100% this next year.

Mr. Lawrence said they favored the Tourism Revolving Loan Fund. They approve of HOUSE BILL NO. 598 (Special appropriation to Department of Commerce for tourism revolving fund).

That concluded the presentation from the Ketchikan Delegation.

Introduction of Bill relating to fiscal part of Dept. of Fish & Game

Mr. Haugen asked the Committee for permission to introduce a bill relating to the fiscal part of the Department of Fish and Game. At present, the Board doesn't review the Fish and Game Budget. They would like to have this privilege, and Mr. Haugen thought it would be helpful to the Legislature. He felt that they would have a better budget, if the Board could have its input. He pointed out that the Education Board did have this input into the Education Budget. There was no objection to introducing the Bill. In fact, they decided to pass it out at the same time so that it wouldn't be referred back to them.

HB 328

At this time, Chairman Freeman brought up HOUSE BILL NO. 328 (Creating Department of Transportation). Mr. Bowman, one of the sponsors of the bill, was present to testify. Others in attendance were: Commissioner Campbell, from the Department of Highways; Commissioner Dwyer, from the Department of Public Works; Mr. Statter, Chief of Waters and Harbors; Mr. Easley and Mr. Strandberg were present representing themselves.

Mr. Bowman explained that HB 328 attempted to take the various departments dealing with transportation and put them all under one department. One of the reasons that he has been interested in this is that it seems there is a definite lack of initial planning. During the Interim Session they had Transportation meetings in various parts of the State relative to the different modes of transportation. In many areas there is only one mode of transportation.

Mr. Bowman said that the United States created a Department of Transportation six or seven years ago. Since that time twenty-some states have attempted this type of Transportation Department. They plan to integrate the types of transportation with long-range planning between the various communities connecting them.

Mr. Bowman said that the Bill had already been through the House Commerce Committee and the House Judiciary Committee, and he couldn't say that the administration was in support of it. In most instances, the administration is testifying against the Bill. Mr. Bowman contended it was an idea that's time had come, especially in Alaska with its poor transportation systems and its unrelated transportation systems.

Mr. Bowman said that during the other hearings, the fact came to light that within the next 20 years the U.S. Department of Transportation will spend several hundred billion dollars within Transportation alone. Mr. Bowman thought it necessary to connect the present systems and look forward to future systems.

Mr. Bowman said it has also come to light since the passage of the pipeline bill that there are no barges west of the Mississippi for use for freighting up this way. He asked what this did to the needs of the residents of this State. This is the type of planning that should be going on.

Mr. Bowman hoped that the Committee would look into this, and he said that if they decided to work on it, he would be willing to come back at any time to follow up on it with them.

Mr. Freeman asked whether he thought the administration's reasons for opposing the bill were valid. Mr. Bowman said no.

Mr. Freeman asked Mr. Campbell for his testimony.

Mr. Campbell said this was the third time in the last month that he had testified. He said that he would go over some of the reasons why he was opposed to the Department of Transportation in Alaska. He said that something that might have a little bearing is that the federal administration have a reorganization plan for the U.S. Department of Transportation which would split it up and put it into the Department of Economic Development and the Department of Community Affairs. He felt this meant that if the Department of Transportation was solving problems on a National level, it was not realized by the present administration.

Mr. Campbell noted that the bill addressed itself mainly to planning. He said that in order to have successful transportation planning, they would need complete cooperation of State, Federal, and local government as well as private industry. He pointed out that the U.S. Forest Service had more miles of roads than the Department of Highways, so they would have to be involved. The Boroughs, Cities, Towns, and Villages also have many many miles of roads, as does the BIA. He said the State controls airports, but private enterprise sets the routes between them. Barges are federally or privately owned.

Commissioner Campbell said that it was proposed in the bill to take transportation Highways and Aviation and put them together. He thought that if planning was the basis for this, nothing could be further from actual facts. He thought this would make a super department that would control all State transportation agencies. He didn't think it possible for one commissioner to have supervision over the entire need.

Mr. Campbell noted that that the other 26 states with a Department of Transportation haven't made any great breakthrough. He said it had not been a panacea. He pointed out that these states do have competing modes of transportation and an opportunity in highly populated areas to go to alternate sources of transportation. Alaska has funds which are earmarked, so even if we get coordinated planning to the point where it would pertain to A and B, they couldn't interchange money. If they couldn't interchange the money, the different modes of transportation couldn't be considered as alternatives to one another.

Mr. Campbell said that if they addressed themselves mainly to the Planning Aspects, they would be ignoring a very significant percentage of the total responsibility of the departments. For example, the construction budget is \$250-300 million a year so that portion would be extremely complex. They also maintain all of their transportation aspects, so that would be no small item either.

Commissioner Campbell said that right now they were cooperating with the Governor's Office of Planning and were getting as good a service as they will ever get. He didn't think a Tzar of Transportation should be created.

Chairman Freeman asked Commissioner Dwyer for comments.

Commissioner Dwyer said that the position of the Department of Public Works is that they are opposed to the bill. He made a few general statements and said he would answer any questions.

Chairman Freeman asked Mr. Easley for his opinion.

Mr. Easley said he was present representing no one. He said that the Department of Transportation had been an eight year effort on his part personally. He said he had reviewed the bill in great detail and said there were a lot of questions that needed to be answered. He has always been, and will continue to be, in favor of the measure.

Chairman Freeman asked Mr. Strandberg for his comments.

Mr. Strandberg thought it would be a good idea if they had a little of the background behind the bill. He reminded them that originally Public Works had handled all transportation. During a controversy regarding the creation of the Highway Commission and other problems, the Highway Department split off from the Public Works Department.

Mr. Strandberg thought the bill would be very effective in Alaska because it would then give one department the ability to coordinate all forms of transportation. He said he had attended a number of hearings, and in many cases, he has found a lack of coordination. It was his feeling that if they did create a Department which would handle all transportation, it would be easier for the public to get their view through without having one czar against another czar.

Mr. Strandberg said that having been a former Commissioner of Public Works and a former Legislator, he thought he could understand the problems. During the time he was Commissioner, there was a Coordinating Committee made up of Highways, Public Works, Economic Development, and Natural Resources Commissioners making attempts to coordinate the functions of various departments dealing with transportation. He said that Highways and Public Works departments shouldn't have anything to say about where highways and airports should go.

Mr. Strandberg concluded saying that the problems of transportation in Alaska are so complex at this time that he believed it the proper time to create such a department overseeing the municipalities on all kinds of transportation.

HB 586

Chairman Freeman said that at this time they would go on to discuss HOUSE BILL NO. 586 (GOB for port facilities development projects).

He asked Commissioner Dwyer of Public Works for his comments.

Mr. Dwyer said that they were hopeful that the bill would pass because they would like to have the money for the ports. He said that Mr. Statter, Chief of Waters and Harbors, had a great deal of information about each and every one of these ports.

Mr. Freeman noted that the Committee was fairly well acquainted with the concept. He asked Mr. Statter for his views.

Mr. Statter said that the Committee would be reviewing SENATE BILL 350 (State assistance in construction of port facilities) and SENATE BILL 351 (GOB for port facilities development projects). He pointed out that from a Program Manager's point of view, the language in the Senate versions was preferable.

Mr. Dwyer said they would like to have the flexibility to make the adjustments that the Senate Bills allow.

Mr. Statter said they certainly didn't have feasibility studies on all of the projects, or even valid project estimates. Rather, many are based on probabilities that they could develop a port for that amount of money. He said they felt they had to have latitude for overages and underages. He added that they haven't anticipated every potential project in the State, and was sure there would be others. He pointed out there may be projects on the list which don't meet the criteria.

Mr. Freeman asked what he would think of a bill that authorized funds on projects subject to appropriation by the legislature for each specific project. Mr. Dwyer replied that it could cause some difficulty since they wouldn't be able to go back to the Committee whenever they needed to during the year, only during the session.

Mr. Freeman said they didn't want them to have latitude to the extent they could abandon one project completely and go somewhere else and build.

Mr. Ferguson pointed out that HOUSE BILL NO. 640 (GOB: waters and harbor development projects) which he had drafted took into consideration the Waters and Harbors Programs put into the Six Year Capital Improvement Programs. He said it covered a lot more communities and uses figures in every case except three which were provided by the Division of Waters and Harbors.

Mr. Statter said the only comment he might make is that these projects might not necessarily reflect the latest Capital Improvement Program. He pointed out that in that Plan they also included projects already funded. The total Capital Improvement Plan included bond projects and projects to be funded from on-going water and fuel tax programs.

Mr. Ferguson said he would like to have a revised copy of the projects that already have the funding.

Mr. Warwick said he would like to have the comments on the different locations--he noted there were about 40. He said he would like to have it on paper in a methodical manner. He asked Mr. Statter to go through the different bills and list all the names, and if he knew how much it would cost to build the facility, to put down the best estimate, and if he didn't have any idea, he wanted him to say that. He said this information was necessary in order for them to have a basis for appropriating the money.

Mr. Statter said he would provide the information to the best of his ability.

HB 559

Chairman Freeman said they would go on to consider HOUSE BILL NO. 559

(Compensation for taking of rights-of-way across state leases).

Mr. Hartig and Mr. Meekins Sr. were present to testify.

Mr. Meekins Sr. said there was going to have to be a Committee Substitute for the bill. They had discovered that the language had accidentally been taken from the portion of the statutes dealing with oil leases instead of the right one.

Mr. Hartig said that his testimony was in no way self-serving. He was speaking based on information obtained in the Attorney General's Office in Anchorage. Under the lease forms that the Department uses and, in particular, Natural Resources, there is a Section 6 which provides that the State in granting the lease reserves right-of-way across the land. The section does not refer to any specific amount. If they take the right-of-way, the only compensation they have to make is reduction of the lease cost for the amount of land actually taken plus the actual value of improvements. The State is doing a disservice by forcing people to make leases under those circumstances. The State loses money because of that requirement being in the lease, since it effects the way the lessee bids.

Mr. Hartig said that when he was in the Attorney General's Office, he came up against this many times. If a person owns a lease, it is usually worth money, but not in Alaska. The problem has never been litigated because it is usually settled out of court.

Mr. Hartig said that the federal government has a right-of-way clause in its leases too, but it is more specific. It doesn't leave it open the way the State does. He thought that by having the clause in the lease, it was a way for the Department of Highways to obtain land without paying anything. This means leasehold interests aren't worth anything. He didn't know of any other lease that is that way.

Mr. Hartig thought the Committee Substitute would be more in line with what the law really was.

There was some general discussion on the matter.

Chairman Freeman thought they were spending too much time on what was really a legal matter. It was moved that the Committee report it back to the Judiciary Committee for further work. There was no objection, it was so ordered.

RECESS

Meeting recessed at 3:20 P.M.

HOUSE FINANCE COMMITTEE

March 29, 1974

8:30 a.m.

Present: All members were present with the exception of Reps. Meekins and Saylor. Also present were Commissioner Campbell of the Department of Highways, Representative Lavell Wilson, and James J. Brunette, Director of the Division of Veterans' Affairs.

HCR 63 Chairman Freeman called the meeting to order. HOUSE CONCURRENT RESOLUTION 63 (Construction of a highway between Berg Bay and Canada) was brought up for discussion. Commissioner Campbell of the Department of Highways was present to testify.

Commissioner Campbell said that HCR 63 concerns the request for construction of a road between, essentially, Wrangell and up the Stickeen River to connect with the British Columbia Highway system. The Department of Highways at this time is on the verge of making contact with British Columbia authorities and having discussion with them on this route and alternate routes. Mr. Campbell mentioned that the present BC Government is more cooperative than that which was in office a couple years ago.

Mr. Campbell suggested that the resolution be amended to include other routes than Berg Bay, and to provide support for any border route. He stated that no matter where the route is located, there will be trouble with conservation groups such as the Sierra Club, so a resolution that would give the Department more latitude would perhaps be more useful.

Mr. Warwick asked what a road like this would cost. Mr. Campbell said that a member of his staff made an estimate of around \$40 million. However, Mr. Campbell feels that it could be constructed for less than that.

Mr. Haugen wanted to make a couple of amendments before the bill was reported out of committee so the committee agreed to hold action.

HB 686 HOUSE BILL NO. 686 (Bonus payments to veterans) was brought up for discussion. Mr. James J. Brunette, Director of the Division of Veterans' Affairs was present to testify on the bill.

Mr. Brunette said that the intent of the bill is to pay a bonus to those veterans of the Korean Conflict and the Vietnam War similar to that paid to veterans of World War II. The only difference is that this covers a longer period of time. Research indicates that there may be as many as 22 thousand veterans eligible for this program. He noted that a lot of state bills have a minimum set on how much money someone can get as this bonus.

Mr. Brunette mentioned that there was an amendment adopted in the State Affairs Committee which would set a time certain for the close of the Vietnam Era, that being January 13, 1974. He said that he would like to suggest the perhaps in the same section there be a prohibition set so that there were no applications for bonuses prior to June 25, 1950. He did not feel that this was definite enough in the original bill. He also said that he thinks there might be some rewriting to make sure this is not open to National Guardsmen who had gone on active duty for six months training only.

Mr. Freeman asked what the amount of the bonuses is. Mr. Brunette said that it is \$10 per month or portion of a month. Most of these people were two year draftees or enlistees. Mr. Freeman asked then if the average payment would be about \$240 and Mr. Brunette said yes. Mr. Freeman said that he comes up with a cost figure of about \$5,280,000, but the fiscal note says \$5,322,000. Mr. Brunette said that he figured an approximate figure for bonuses of \$5,240,000 and the additional for temporary administrators to handle the flood of applications.

Mr. Warwick asked what the rationale behind this bill was. Mr. Ose, one of the sponsors of the bill, said that this was done for the World War II veterans and the sponsors saw no reasons why the veterans of the Korean and Vietnam Wars should be treated any differently.

Mr. Warwick asked how much has been paid out in this program in years past. Mr. Brunette said that in 1946 there was a 1% sales tax imposed for this, netting \$4,835,000. The original bonus pay-outs were \$3 1/2 or \$4 million, but by the time a certain percentage of these bonuses were repaid in order to get loans it was around \$1 1/2 million. In response to questioning about where loans come into this, Mr. Brunette said that the law originally precluded loan benefits unless the bonus had been repaid.

[Mr. Meekins came in at this time.]

Mr. Warwick asked what further limitations of the bill are. Mr. Brunette said that to be eligible the person has to have been a resident of Alaska for one year prior to entry into the service or who have been residents of Alaska for ten years after separation from service.

Mr. Specking asked if the fiscal note includes those people who are not now eligible but who would be eligible under the 10 year resident provision and Mr. Brunette said no, the fiscal note includes only those people who are already Alaska residents.

Mr. Specking said that the problem, of course, is separating out those who really experienced some deprivation and difficulty because of the wars from those for whom it was just an easy, comfortable job experience. He noted that that is probably impossible to do.

Mr. Barber asked if the bonus would be subject to federal income tax and Mr. Brunette said that he would assume so.

Mr. Ose moved and asked unanimous consent that the bill be reported out of committee. Several objections were heard. Mr. Freeman said that the price tag is just too high. Mr. Ose felt that this was something that should be considered regardless of the price tag. It was done for the World War II veterans and there is no reason that he can see that these veterans should be treated any differently. He feels that these people deserve additional compensation, and felt that the committee in this instance should not be "dollar tight."

Mr. Specking said that he is philosophically attuned to veterans' bills, but that some parameters in this instance need to be set. He suggested possibly rewriting the bill so that it applied only to those who had been in a combat theater situation.

[Mr. Josh Wright entered the meeting.]

PROPOSED LEGISLATION Mr. Warwick said that he had a bill he would like the finance committee to consider sponsoring. He said that he feels there is a problem with the real property tax exemption allowed those over 65 for their homes. The problem is that even those with considerable money and extremely valuable homes are not being taxed and he feels that they should be. His proposition is that there be a limitation on the cost of homes exempted from the real property tax; he suggested \$50,000. Those with homes assessed at over \$50,000 would not pay taxes on the first \$50,000 but would on everything after that.

Mr. Barber said that his only objection would be to the \$50,000 figure. He felt that that was unrealistic, as it is not too fancy a house any more that costs \$50,000, particularly if situated on valuable property. Mr. Warwick said that although that is true, he also felt that assessed valuations are lower than one would actually pay for a house.

[Mr. Saylor entered the meeting.]

Mr. Meekins wondered, if the rationale of this bill would be to make the people who have the money to pay go ahead and pay these taxes, why give them the first \$50,000 tax free. Mr. Warwick said that it would be an administrative problem otherwise. Mr. Barber said that the reason he had argued on the House floor for an unlimited amount was partly because the value of a house can increase by several thousand dollars merely by a change in zoning or such -- while the person living there may have no additional income at all or ability to pay the increased taxes. Mr. Warwick suggested that perhaps the land could be exempted and only the first \$50,000 of improvements on the property would be exempted.

Brief discussion followed regarding this proposed legislation.

Rep. Warwick told the Committee that he had a prepared version of the bill with him at this time.

The Committee then decided that the proposed bill be amended as follows: change \$50,000 to \$100,000; change the effective date from January 1, 1974 to January 1, 1975. The proposed bill was then sent to the Legislative Affairs Agency to be retyped. The Committee will introduce the bill on the floor Monday. (The Committee Report was signed by the following with "do pass" recommendations: Freeman, Warwick, Meekins, Saylor, Ose, Barber, Haugen, Specking.)

CSHB 673

Rep. Haugen then told the Committee that he wished consideration of CSHB 673, establishing the Alaska fisheries and game development fund. Rep. Haugen stated that he had rewritten the bill and had arrived at two possible concepts. The first concept is to take five percent of mineral receipts up to \$250 million at which time the fund would stop growing. The \$250 million would be picked up as long as there is money coming in from those resources. If the resources fail later, then the state would start to dip into the \$250 million and reduce it to -0-.

The second concept would create a fund that would be a permanent fund, and the use of monies from the fund would be restricted to the income.

Both concepts broaden the language to authorize expenditures for any and all of the State's renewable resources.

Mr. Hogan then told the Committee that a number of concepts can be used, and the amount of money can be limited if so desired (\$100 million or \$300 million).

Rep. Meekins stated that it might be possible to take 5% a year and invest it; what is not spent would go into the permanent fund; when the \$250 million figure is reached, no more money would be put in. This way it is possible to invest in renewable resources immediately. Mr. Meekins said that you would have a permanent fund and it would take four years instead of two to set it up; the state would have a great deal of money to put into the development of renewable resources.

Rep. Haugen commented on the 1978 effective date. He said that this is higher than he wanted to go. Rep. Ferguson then remarked upon the definition of renewable resource programs, noting that it was limited to programs for fisheries enhancement and timber or forest management. Mr. Ferguson said he wished the definition to include fisheries and game. Rep. Meekins also agreed that the definition should not be restrictive.

Further Committee discussion followed on the proposed Committee Substitute. Rep. Meekins then suggested that they take 5% of the nonrenewable resources money and spend 20% of that; the remainder will go into the fund. Rep. Freeman stated that whatever the amount, it is more valuable to spend it at any

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given moment (the present time) rather than waiting to spend it--a greater amount--later. Rep. Freeman said he preferred the 1978 effective date.

Further discussion followed.

Rep. Specking then moved that the concept drawn up by Mr. Hogan be reported out of Committee. Mr. Specking asked unanimous consent. (The concept provides for the establishment of the Alaska renewable resources development fund with not less than 5% of receipts paid into the fund but not to exceed \$250 million. See bill file.)

Representative Meekins then moved to amend Rep. Specking's motion in order to strike the definition of renewable resources programs. The Committee voted unanimously to approve Rep. Meekins' motion.

Rep. Meekins then moved that the Committee accept Mr. Hogan's concept of creating two funds: the renewable resources development fund and the renewable resources permanent fund. The Committee voted unanimously to accept this second amendment.

Rep. Specking then moved that this bill pass from Committee as amended above. The amendments will be incorporated into the House Finance Committee Substitute for HB 673 which will be typed by the Legislative Affairs Agency. The Committee voted unanimously to pass out the Committee Substitute "do pass". The Committee Report will be officially signed the following day, upon receipt of the formally typed bill.

Recess: There being no further business at this time, the Committee recessed at 10:00 a.m.

After Recess  
3:00 p.m.

SPECIAL  
MEETING -  
CLAM  
PROJECT

All members were present with the exception of Representatives Freeman and Warwick. Also present were Kenneth L. Torgerson, Seafood Sanitation Coordinator with Health and Social Services, Sidney D. Heidersdorf, Assistant Chief of Environmental Health in the Department of Health and Social Services, Frances Fleek, Administrative Officer of Public Health, H&SS, Dr. Frank Pauls, Chief of the Section of Laboratories of H&SS, Richard Reynolds, Development Specialist of the Department of Economic Development, Richard A. Neve, Institute of Marine Science, University of Alaska, Max C. Brewer, Commissioner of Environmental Conservation, Y.R. Nayudu, Director of the Division of Marine and Coastal Zone Management in the Department of Environmental Conservation, Ed Huitzer, Deputy Commissioner of Fish and Game, Bob Roys, Director of the FRED Division in Fish and Game, James F. McClain, Acting Deputy Commissioner of H&SS, Ron Lind of Budget and Management, Representative Lavell Wilson, and interested persons.

Vice Chairman Ernie Haugen called the meeting to order in the absence of Chairman Freeman. He explained that the purpose of the meeting is to resolve some questions that came up in budget review as to what is happening with the clam project. He said that a few years ago he had a great deal to do with getting the original appropriation through for this project. The idea at that time had been to get commercial production going. Now there seems to be several agencies involved, and he feels if they can't resolve this problem and get this clam production underway, he is inclined to seriously consider doing away with the programs and saving the money going into these various agencies for something else since money is tight. He asked how much money each of the involved agencies has in their budget for this particular project.

Mr. Neve said that the University has no state money in its program. He has had a proposal in with the FDA since last January (January 1973) for a contract to work on an assay method.

[Mr. Warwick entered the meeting.]

Mr. Huizer said that in the Department of Fish and Game there is a total of \$64,000. \$48,000 is in FRED and an additional \$16,000 is in Commercial Fish for the purpose of obtaining clam samples for the seafood sanitation program.

Mr. Heidersdorf of Environmental Health said that it is difficult to break out the costs of the clam program in their department. They have a total of \$96,800 in combined seafood sanitation programs and laboratory functions.  
Mr. Torgerson, Seafood Sanitation Coordinator, said that he

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estimated only around 2% of that <sup>sanitation program</sup> as directed toward the clam program. He said that their only interest really is administrative. In the last fiscal year they did an intensive survey of all the beaches. Other than that their direct costs into this program have been virtually nil.

Comment was made that the three agencies really involved are H&SS, Fish and Game and Public Safety, and there was no one at the meeting representing public safety. Mention was made that Public Safety has said that they have no money specifically in their budget for this program, but they are going to conduct their work under present funds.

Mr. Haugen asked if any of this is going to result in commercial production finally getting going. Mr. Torgerson said that they feel this is going to be a viable program this year. He passed out a memorandum dated February 26 [copy appended] outlining steps which must be performed prior to inter-state shipment approval. He said that the seven steps outlined have all been essentially completed, except that a memorandum of understanding has not been filed by the three commissioners involved and, secondly, regulations are now in their required form in the Attorney General's Office at this time being reviewed. They have instituted all the changes demanded by the FDA, and have been told verbally that this will be accepted, although he said they do not, unfortunately, have this in writing. They will publish the regulations for public comment and hearings, they will be adopted and then there will be a viable program that the National Shellfish Sanitation Program will accept.

Mr. Haugen stated that the original appropriation for the shellfish program was made to one department -- but now they find monies scattered all over. He asked Mr. Huizer, Deputy Commissioner of Fish and Game, what monies are now in the Fish and Game budget. Mr. Huizer said that they have had the program in their budget since about 1968 and a great deal of work has been done. He wanted to point out that they do have a commercial clam industry at this time in Kodiak and Prince William Sound - about 200,000 pounds of razor clams. They can market heat treated, vacuum packed clams. The problem with FDA is with fresh and frozen clams. He noted that the Department of Fish and Game is presently reviewing the memorandum of agreement, and this is the final step.

Mr. Roys, Director of the FRED division, passed out a report on the razor clams done by Mr. Nickerson. He said that this is one of the finest pieces of research done on razor clams. It covers everything. [Copy in Fish and Game Department file.] Mr. Roys mentioned that Fish and Game collects samples and ships them into Health and Social Services where they are checked for toxicity.

In response to questioning by Mr. Specking, Mr. Roys said that heat treated clams can be shipped outside the state. Fresh and frozen clams can only be marketed within the state.

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Mr. Haugen noted that it appears the commercial production is going to be limited to razor clams, and Mr. Huizer said yes, and at three beaches - Cordova, Polly Creek and Swikshak. These are the beaches presently certified. Mr. Haugen asked if it is going to be possible to certify other beaches without it taking a few years and Mr. Huizer said that he certainly hopes so.

Mr. Specking said that it is his understanding that one of the big needs is the potential of doing an instant analysis of clams and this is what Dr. Neve is working on. Dr. Neve said that problems the state has been facing include the analysis difficulty, the size of the coastline, the difference in beds, and the FDA itself. The difficulty with the analysis is that it is time consuming but has to be done.

[Rep. Terry Gardiner came in.]

Mr. Specking asked Dr. Neve if his research would lead to a faster analysis of toxicity, and Dr. Neve said yes. It is a screening analysis

Mr. Specking said that he is interested in knowing what sort of time frame Dr. Neve is looking at, and Dr. Neve answered one year at least. They still have not received money from FDA.

Mr. Specking asked if any other agencies are working on faster analysis of toxicity. Mr. Reynolds of the Department of Economic Development said that he has been sending samples to a doctor in Berkely who is workin on an alternate process for field assay, but he does not know what results have been.

Dr. Nayadu said that other agencies have been working on this. He is Director of the Division of Marine and Coastal Zone Management in the Department of Economic Development and they have been concerning themselves with this. They feel they have made a recent breakthrough in identifying certain kinds of red tides lending themselves to toxicity in the clams.

Mr. Frank Pauls, Chief of the Section of Laboratories in the Department of Health and Social Services said that their laboratories perform PSP analysis for the seafood program. They have been working with Dr. Neve on a biochemical test and they do work with other agencies with reference to their procedures.

There was a brief discussion on definitions of red tide and how it acts on clams. Note was made that a red tide will not necessarily create toxicity in the clams.

Mr. Haugen reiterated that appropriations have been made for several years now to get this commercial production off the ground, and he noted all the different agencies now involved - and yet still there is no commercial production for outside shipment. He mentioned that

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Representative Gardiner was present to present his proposal on gooey ducks as a commercial venture, but Mr. Haugen felt he was reluctant to get into anything more when the razor clams are still not even being commercially produced. He stated that there used to be commercial production; in fact, during World War II they were harvesting thousands of clams and selling them to the armed forces. This industry would employ a lot of people. He said he is just not interested in "pouring" money into the various programs without any return.

Mr. Torgerson here stated that he thinks that they will have this year commercial production at Cordova, Swikshak and Polly Creek. He also noted that there is presently a commercial harvest in the state at Kodiak and Prince William Sound. Mr. Haugen felt that that small harvest of which half is used for bait hardly compares with the potential. Mr. Torgerson said that one recent breakthrough with the FDA is that they have finally accepted utilization of all unapproved beaches for bait if they are monitored.

Mr. Specking asked if the University requested any state money for the clam program this year, and Dr. Neve said no, because they are waiting for the federal money. It is 14 months since they first contacted the FDA and submitted their contract.

Mr. Haugen invited Rep. Gardiner to give his comments on gooey ducks. Mr. Gardiner said that quite a few professional divers and other people in Ketchikan are interested in the potential of gooey ducks. He has talked with some of the same people involved in the razor clam production. He said that in Washington there is a company that does harvest these. He is interested in getting a pilot program which would cover two beaches, and would cost about \$18,000. It has never been established whether gooey ducks can get PSP or not. Most of the reserach has been directed to other species of shellfish. This would just be a pilot program to see what the potential would be.

Dr. Neve said that in June of 1971 there were some FDA people from Washington D.C. and out of the regional office who came up, and gooey ducks, butter clams and other kinds of clams were discussed for about 30 seconds. FDA would not consider a monitoring program for any other species than razor clams. There is a real problem with them.

Mr. Huizer mentioned that one of the problems in the razor clam project has been the failure of people to distinguish between species. He told Mr. Gardiner that he would be happy to research the gooey duck matter with him.

Mr. Barber asked if the amount of money going into these programs is all used in these programs or is it filetered off into other programs, too. Mr. Huizer said that in Fish and Game they have a man working on razor clams and right now all that is needed is getting through the

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Memorandum of Agreement. They are not asking for more money. Mr. Torgerson said that they are not requesting more money to monitor either although as they open beaches they will need more money to do the samples. From an administrative standpoint, they are not requesting more manpower to do this.

Mr. Specking noted that he thinks part of the University's program should be underwritten by the state. They have been waiting 14 months for this money to complete a project that will have tremendous impact on the program.

Meeting adjourned at 3:40 p.m.

To:  Frederick McGinnis, Commissioner  
Thru: Donald K. Freedman, M.D., M.P.H.  
Director, Division of Public Health  
Thru: William Goodman, Acting-Chief  
Environmental Health Section  
FROM: Kenneth L. Torgerson *K.L.T.*  
Seafood Sanitation Coordinator  
Environmental Health Section

DATE : February 26, 1973

SUBJECT: Shellfish Meeting  
Alaska State Plan

On February 21, 1973, a meeting was held in the Conference Room of the Department of Health and Social Services to discuss program needs and Departmental activities coordination to seek approval of the State Shellfish Plan to allow commercial harvest and the interstate shipment of eviscerated razor clams in the National Shellfish Sanitation Program.

The following, in order of their priority, must be performed prior to interstate shipment approval:

1. State laboratory certification by the Northeast Consulting Services of FDA. The National Shellfish Program will not accept Millipore Filter sampling techniques for determining total count or fecal coliform in salt water; this will necessitate the use of the lactose broth fermentation technique. Although our Lab is capable of performing this function, this will preclude the possibility of salt water sampling and incubation upon the beaches being surveyed. The 24-hour maximum delay between sampling and testing would be critical. The three State Labs will be certified in mid-March for bacteriological water and seafood product examinations and the Southeastern Laboratory will also be certified for running paralytic shellfish poisoning (PSP) toxin determination.
2. Run a ten-day survey of bacteriological and PSP sampling in the "Cordova 1" area (Orca Inlet) during mid-May to the end of May. This will involve collecting twelve bacteriological water samples from selected points and six PSP samples from within the Orca Inlet area each day. Because bacteriological water samples cannot be older than twenty-four hours before a Laboratory receives them, a field laboratory will be set up at the Cordova Hospital with a certified person from the State Laboratories running the samples. PSP samples will be frozen and shipped to Juneau for the SERO Laboratory to analyze. In order to secure ample background justification to permit us to use Millipore Filter techniques in the future, duplicate water samples will be taken and run concurrently with the lactose broth samples.

3. In June, the clam beaches at Polly Creek (West Shore of Cook Inlet) and Swikshak (Alaska Peninsula) will be surveyed. This will involve collecting three PSP samples and five bacteriological water samples each day for ten days at Polly Creek and five PSP samples and ten bacteriological water samples each day for ten days at Swikshak. As at Cordova, hospitals in the area will be utilized as a temporary laboratory and duplicate Millipore water samples will be run concurrently with the lactose broth samples.
4. Resurvey the Cordova area in August, during the time the salmon fleet is in that area. This will involve duplicating the survey of the Cordova 1 area run in May and also sampling Cordova 4 (which is in the Copper River area).
5. Establish a "Memorandum of Understanding" between the Departments of Health and Social Services, Fish and Game, and Public Safety so that PSP samples are submitted every second week from the approved beach areas during the times that commercial harvest would occur and also patrol both approved and non-approved areas to help eliminate commercial harvest from non-approved areas. The Department of Health and Social Services will be established as the primary functioning agency with which the FDA coordinates.
6. Revise Title 7, Division 1, Chapter 2, Subchapter 3, Part 5, Shellfish Packing, to reflect monitoring and closure procedures, public information and terminology consistent with the National Shellfish Sanitation Program Manuals.
7. Submit the State Shellfish Plan to the FDA with the above information and changes. It would, therefore, be possible that interstate shipment would be allowed as early as September 1, 1973, provided that all results are satisfactory and a viable on-going program can be demonstrated.

It was pointed out by the FDA representatives that all shellfish programs in the NSSP member states are expensive. Five million dollars is spent by the collective states and one-half million dollars by the Federal government yearly in monitoring and control; this permits a \$40 million landed value of shellfish and a final selling value of \$400 million, when the product is followed "right down to the waitress serving chowder." At the present wholesale price for food and bait clams, the estimated yield for Cordova, Polly Creek and Swikshak of 2 million pounds of razor clams, would result in 800,000 pounds of shucked meat worth \$1.25 a pound or 1 million dollars net value. If funding is ample for a comprehensive shellfish program to the Departments within the "Memorandum of Understanding" to monitor and control razor clam harvest, Alaska stands to realize a good return on expenditures from subsequent taxes, as well as establishing a needed new industry.

HOUSE FINANCE COMMITTEE

March 30, 1974

9:15 a.m.

Present: All members with the exception of Representatives Ferguson and Ose. Also present were: Jay Hogan, Director, Legislative Finance; Milt Barker, House Finance Committee Fiscal Analyst; Rep. G. Chance; Rep. L. Wilson; Rep. H. Beirne.

SB 451(am) Representative Freeman, Chairman, called the meeting to order. The first order of business was consideration of Senate Bill No. 451(am), an act making a supplemental appropriation to the Department of Administration for employee pay increases and benefits; and providing for an effective date.

The Committee had previously drafted a Committee Substitute to SB 451(am) [see bill file]. Representative Saylor then moved that the Committee report out HCSSB 451 with individual recommendations.

Representative Specking stated that he wished to see this piece of legislation move in order that the money can begin to flow. Any further delay is not in the interest of those the legislation seeks to serve. Representative Specking continued by saying that there are other problems surrounding this issue, but the money must be put into the pay envelopes.

Representative Haugen called for the question.

All members voted unanimously to report out HCSSB 451 with individual recommendations. The Committee Report was signed as follows: Signing the Majority Report [do pass] were Representatives Freeman, Warwick, Haugen, Saylor, Specking, Ferguson, and Ose.

Representative Meekins signed "do pass original bill"; Representative Barber signed "do pass if amended".

HB 573 The Committee then considered House Bill 573 (an act relating to the transfer of sick leave by teachers who change employment).

Representative Specking moved and asked unanimous consent that HB 573 be reported out of Committee; there being no objection, it was so ordered. The Committee Report was signed as follows: Representatives Freeman, Haugen, Meekins, Saylor, Specking, Barber recommending it do pass; Representative Warwick signed "no rec".

The Chairman then asked Representative Beirne if the Committee might postpone their discussion on certain legislation in which Rep. Beirne had a particular interest; Rep. Beirne had no objection to the postponement.

HCR 28 The Committee then considered House Concurrent Resolution 28, (relating to the disposition of the state royalty share of Alaska gas and crude oil).

Rep. Specking moved and asked unanimous consent that

the Committee report out HCR 28; there being no objection, it was so ordered. The Committee Report was signed as follows: (all recommending that HCR 28 "do pass")--Freeman, Warwick, Meekins, Saylor, Specking, and Barber.

CSHB 673

The Committee then considered House Bill 673 (an act establishing the Alaska fisheries development fund; and providing for an effective date).

Mr. Jay Hogan provided the Committee with an explanation of the Committee Substitute drafted the previous day. Mr. Hogan said the Committee Substitute differs from the original bill in several important respects: The original bill was limited strictly to the development of fisheries resources. The Committee Substitute broadened the language to authorize expenditures for any and all of the State's renewable resources. The Alaska Renewable Resources Development Fund and the Alaska Renewable Resources Permanent Fund are created. The first fund would receive 5% of the receipts from mineral lease bonuses, land rentals, and royalties, and authorize their immediate appropriation and expenditure in whatever amount the Governor and the Legislature thought appropriate. Any surplus remaining in this fund would spill over at the end of the fiscal year into the permanent fund. Expenditures from the permanent fund would be limited to appropriations made from income to the fund with fund principal to be invested and maintained in perpetuity. The original bill contained no maximum limit for fund accumulation. In Section 2 of the Committee Substitute, the 5% take of mineral receipts and the entire mechanism of the first fund are repealed when the principal of the permanent fund reaches \$250 million. From that point on, it is envisioned that programs will be funded from permanent fund income.

Brief discussion followed regarding the effective date. Rep. Saylor stated that he would like to see the 1978 date changed to 1976. Rep. Haugen countered that the date can be moved up at a later date.

Rep. Haugen then moved that Finance COMMITTEE SUBSTITUTE FOR HB 673 be reported from Committee; there being no objection, it was so ordered. The Committee Report was signed as follows: (all recommending that HB 673 be replaced with Finance CS for HB 673, and that Finance CS for HB 673 do pass)--Freeman, Warwick, Saylor, Meekins, Specking, Barber, Haugen.

Recess: The Committee then recessed for the purpose of going into subcommittee discussion over the University of Alaska FY 75 budget. (9:45 a.m.)

After Recess

11:50 p.m.

Present: All members were present with the exception of Representatives Ose, Barber and Ferguson. Also present were Representative Beirne, Dr. Jerry Schrader, Director of Mental Health, Mr. Price from Mental Health, Rep. Lavell Wilson, and interested persons.

HB 549 Chairman Freeman called the meeting back to order and said that the committee would be considering House Bills 549, 552 and 767.

Chairman Freeman invited Dr. Beirne to speak on HOUSE BILL 549 (Community mental health services). Dr. Beirne said that this is one of the bills that the interim committee on mental health spent quite a bit of time on this summer. They felt before moving farther in the area of mental health it was necessary to provide for keeping people in their homes and communities and out of institutions when possible. They would have to have an act giving them enabling rights to utilize 75-25 matching funds available for community mental health. The fiscal note for the first year of enactment of this bill would be roughly \$450,000.

Dr. Schrader said that the Division of Mental Health very strongly supports this bill and feels the bill would provide both a funding mechanism, a way of sharing both funding and administrative responsibilities for development of community mental health programs. The bill as enabling legislation is important itself, but of course they would like to see it funded, also. In the past year they have had many requests from various areas within the state as to what their communities should provide as well as actual proposals for funding for services. He said that they feel in the first year there probably will be two or three areas making a request for funds. They put in \$300,000 for delivery of services, \$90,000 for planning money, which will come out to about 6 grants of \$15,000 each for the communities who need services but need to know where to go with their program. There is also \$48,500 for additional central office personnel to assist in the administration of the entire program.

Dr. Schrader continued, stating the the bill as it is written fairly clearly states the duties of the Division of Mental Health. Paramount in those would be their duty with an advisory board to develop a set of priorities. He said that it seems important for the Division to focus on those problems that are most severe in the communities -- the suicidal, dangerous and disruptive.

Dr. Schrader went on to note that the experience of other states has been that community mental health programs have brought about a great reduction in the institutional needs. Alaska, however, is different. Most of these other states have had institutions for a long time and

and many of the people are elderly. They really have a different situation than that in Alaska. He said that he does not feel it is safe to predict a drop in the need for institutional beds in the state if this program gets underway, although he thinks there is a possibility that it could happen. At the very least, however, he said that he feels the state can figure on not needing additional space.

Dr. Schrader said that they are suggesting that the community mental health program be phased in. Hopefully some of the existing resources could be reallocated in the community. They feel that the actual total amount that this would cost in terms of general fund dollars would be rather small. That is based on some assumptions, a major one of which is that they can reimburse the mental health program with Title IXX to a much greater extent than they have been able to do before.

Mr. Price mentioned that communities can still get community mental health federal funds. The difficulty is that the "heyday" for these is really passed. There are many grants written around the country; many are approved but aren't funded. In effect, the chances of Alaska getting very many more community mental health centers through this are pretty remote. Mr. Specking said then even with this legislation they are not in a better position for federal money, and Dr. Schrader said no, that the funds they will be directing themselves toward are increased Medicaid.

Dr. Beirne asked if it is correct that the communities would not be eligible for this Medicaid money unless they came through the state, and Dr. Schrader said no, that both state and community applications would be considered. He noted that, for instance, Ketchikan is not, however, getting as much now from Title IXX as he thinks they could. Mr. Price said that this is partly because of the fact that the state will be receiving reimbursement of services.

HB 552

HOUSE BILL 552 (Special Appropriation to API) was brought up for discussion. Dr. Beirne said that this is actually an appropriation request for \$200,000 to go to API to improve and renovate existing facilities; specifically, for facilities for the mentally disordered offender so that they can be retained in the state and be given treatment here and in addition, to "beef up" the intensive care unit for others who are mentally disordered but not offenders. She said that they have an amendment accompanying this bill from the Health, Education and Social Services Committee. The amendment merely says that this is on the GO bond bill 282 and if this goes through the money will be reverted to the general fund.

Dr. Beirne said that the Inter-State Compact allows the state to transfer people back to other states for psychiatric treatment. Over the years it has become difficult to get the cooperation with other states.