

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2559

Commission makes decisions on certain cases and therefore sets precedent for others in the future. Mr. Guitterez stated that every individual case the Commission deals with becomes a "class" action case, but each individual case does not protect every individual in that class.

Rep. Specking inquired as to expensive modifications required on equipment in order to accommodate the hiring of women who may be shorter in height. Mr. Guitterez told the Committee that any weight or height limitation in Alaska will rule out certain minorities such as the Natives who, on the average, measure 5'4", and many women. Mr. Guitterez stated that the expense of modification of equipment would be minimal to a company, however, as compared to the amount of money the company must pay for litigation; if the Commission represents one person in a class action suit, due to rejection of hiring, every other person who was rejected previously must be brought into the case as well.

Rep. Specking asked if the Commission then did not recognize the difference between men and women in physical capabilities. Rep. Meekins interjected and told the Committee that it would be reasonable to make some modifications, but regardless of sex, weight, or height, the general population will gravitate to jobs that they can handle and where there will be no rejection.

Mr. Guitterez stated that the Commission does not have jurisdiction to enforce employers to place people who are not qualified to do the job in positions they cannot handle.

Mr. Guitterez told the Committee that most of the individual cases the Commission sees do not have cause for complaint; there is no discrimination; however, the Commission is obligated to investigate every case.

Mr. Radcliffe, Chairman of the Commission, told the Committee that several deletions in their budget request were made by the Governor. The majority of those deletions will bring about ineffectiveness of the Commission. He stated that during the last few years, the Commission has not been getting any increases in their budget compared to other agencies.

Mr. Radcliffe stated that the Commission now has the very best staff on board that it has had since the Commission's formation. More investigators are needed to keep the Commission's backlog from getting two or three years old, and to keep the plaintiffs from becoming frustrated. He said there is no money mentioned for the Commission in the Governor's impact budget, but the Commission faces a dramatic increase in caseloads due to the pipeline impact. He added that even if the people do not have a legitimate case, it takes many man-hours to investigate and determine that they do not.

Mr. Radcliffe told the Committee that three members of the

Commission staff had their Masters Degrees and could have gotten other jobs at an increase in salary; these people instead chose to work on the Human Rights Commission because they are interested in this kind of work. Mr. Radcliffe then concluded his testimony by saying that the Commission is on the verge of a great program if it can have additional investigators in all areas of the state.

Ms. Sylvia Muncey, Vice-Chairperson of the Commission told the Committee that the Commission now has only one Field Representative (Mr. Gutterez) in Fairbanks with a Temporary Secretary who has not been funded. She stated that with the Governor's disapproval of the Clerk Typist in Fairbanks, Mr. Gutterez will not have any clerical staff to type up his reports or investigations. Ms. Sylvia Muncey stated that this request for a Clerk Typist in Fairbanks is top priority ALONG WITH a request for a Legal Counsel. She then stated that it is frightening for someone who has not gone through law school to come before union lawyers. When the Commission tries to seek an Attorney General's opinion, Mr. Riederer is often too busy; the Commission seldom gets the legal counsel it needs.

Ms. Muncey then asked that the Legislature give the Commission at least "a couple" of investigators, if not all six. Without the investigators, the Commission will not be able to perform its duties.

Mr. Douglas Luna, Director of the Pipeline Computer Impact program within the Office of the Commission on Human Rights. Mr. Luna said that his position is federally funded; he must monitor recruiting and training programs and coordinate all minority programs to achieve affirmative action plans that Alyeska will approve. Mr. Luna stated that all complaints which must be researched are being investigated now by VISTA volunteers which is against federal regulations; Mr. Luna said he cannot investigate these cases and accomplish his other duties as well. He added that he has a law degree but cannot handle a lot of the legal work.

Mr. Luna said it is impossible to do all coordination, enforcement of state and federal rules and regulations and do research as well. He stated that of the 357 employees currently working for Alyeska, 51 are minorities. Some trade groups do not have minorities working and Mr. Luna must investigate this situation. He said that he did not even have a desk in his office; personnel and administrative equipment are needed desperately.

Mr. Martin Moore again reiterated the impact that pipeline construction will have on the state. He said that by 1974, 6,095 people will be working on the pipeline. Many of the people coming into the state for that purpose will bring their relatives. The Human Rights Commission must have sufficient funding for legal advisors and investigators.

Rep. Specking then asked what position the Human Rights Commission

will take in the event that a non-resident comes in and files suit because of discrimination. Mr. Moore stated that the Commission will help the individual resolve the problem. Rep. Specking then asked if the Commission will have to be impartial with respect to where the person comes from. Mr. Guitierrez stated that they must be impartial.

Rep. Saylor asked for the breakdown of current staff on the Commission. Mr. Guitierrez stated that Mr. Vaudrin was Director of the program; Mr. Guitierrez is an Investigator out of Fairbanks; they have two secretaries in Anchorage and a Temporary Secretary in Fairbanks.

Rep. Saylor said that according to the Governor's budget, the request shows no federal funds coming in with respect to Mr. Luna's position. Mr. Luna said that he had received a telegram which stated that his position is funded for one year. He said that Mr. Vaudrin will telephone and request another year's funding.

Mr. Guitierrez stated that in the contract written, funds were released to the state, and the contract was accepted if funds were expended according to the contract. For FY 74, the Committee released some money to pay for Mr. Luna's salary. Mr. Vaudrin must come before the Committee in June to vote that the rest of the funds be released.

Mr. Luna stated that they are now determining what his salary should be; he is receiving less than was agreed to in the contract. He has obtained outside counsel (as opposed to legal counsel within the Human Rights Commission) for this purpose.

Mr. Saylor commented that the budget for FY 73 shows \$23,000 in federal funds; for FY 74, \$23,000; for FY 75, \$29,800 which the Governor disallowed. Mr. Radcliffe stated that the Commission did not have any federal funds last year.

There being no further discussion or questions, the representatives from the Human Rights Commission left the Committee Room.

At Ease: There was a brief at ease called for before entering into discussion regarding bill consideration. (see bill minutes).

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.

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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 research 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."

The following is a summary of recommendations included in the text of the report.

POLICE PROFESSIONALISM

1. The legislature should request the Police Standards Council to undertake a study pertaining to police training and standards. This study should be made available to the next legislature in order to better assess the State's future role in regard to police professionalism. Areas the council should cover are summarized on pages 2 and 3.

CRIMINAL INVESTIGATION BUREAU

2. Although the CIB has the potential to provide professional, centralized, criminal investigations for the State, it is now limited by a shortage of manpower. Without sacrificing quality, however, it can only recruit and train a limited number of personnel at the present time. Sixteen additional personnel including 9 investigators, 2 technicians, and 5 clerk-typists, added to the CIB, and one investigator added to the Fire Marshall's office this year would bring the investigative capabilities of the Department of Public Safety up to a level more consistent with the current workload.

3. The Governor's Commission on the Administration of Justice should be authorized and directed to formulate guidelines for the ongoing review and monitoring of intelligence efforts in the State, much the same as the Justice Commission promulgated rules, regulations, and procedures for the Criminal Justice Information System. (AS 12.62.010.)

DEPARTMENT OF LAW

4. In order to improve the supervision of District Attorneys, enhance the capability of the Department to prosecute "white collar" and organized crime, and to provide for additional prosecutors, the Department should increase personnel in the criminal division. Recommendations for additional personnel are summarized on page 33.

5. The Department of Law should upgrade all prosecutor positions in order to insure that experienced and qualified prosecutors are employed. Recommendations regarding salary scales are listed on page 34.

6. Article 4, Unfair Trade Practices and Consumer Protection Sec. 45.50.521 (a) should be repealed. This statute prevents the Attorney General from releasing information or evidence produced by the Consumer Protection Office to a District Attorney or his investigator or to a law enforcement officer for use in a criminal prosecution.

7. The constitutional requirement for grand jury indictment should be changed, and prosecutors should be allowed to proceed upon "complaint or information."

PUBLIC DEFENDER AGENCY

8. The Public Defender Agency has suffered from under-management and under-funding since its inception. As a result, the agency may be forced to refuse to take on clients whom they are too over-extended to represent adequately. This will place the State in the position of appointing substitute attorneys to represent clients deemed eligible for services, causing the State to pay a higher cost for the defense of eligible individuals. To remedy these problems, new positions are recommended which are summarized on page 38.

9. Responding to criticism leveled at the Public Defender Agency for representing clients who are not indigent, and therefore not eligible, the legislature has removed the eligibility determination function from the agency, and placed it under the courts. In order to perform this duty properly, the court system has asked for investigators to determine eligibility for Public Defender services.

BAIL

10. Bail statutes as currently written provide adequate "public safety" provisions. If the legislature wants to provide supervision of persons out on bail, who are on conditional release, consideration should be given to providing staff within the Division of Corrections to perform this task. Recommendations for personnel are summarized on page 43.

PLEA BARGAINING

11. Modifications in the present system of plea bargaining should be left to the courts or the Department of Law. The Department of Law could promulgate regulations of its own, or the courts could deal with the system directly under Rules of Criminal Procedure.

SENTENCING

12. A primary failing of sentencing practices has been the inability to identify repeat offenders. This can be attributed to not having pre-sentence reports available. If pre-sentence reports become mandatory for all felonies, adequate staff to prepare these reports must also be forthcoming. Recommendations for pre-sentencing personnel are listed on page 49.

13. With or without pre-sentence reports, abuses in the sentencing process will occur as long as sentencing is not guided by structured goals and procedures. The courts should require judges to prepare written findings to accompany each felony sentence. These reports should explain the goals the sentence endeavors to accomplish and the relevant mitigating factors which were considered. Sentence reports should be available to the public, and forwarded to Corrections and Parole authorities. The court system should adopt guidelines and procedures regarding content of such reports.

PAROLE

14. The present volunteer Parole Board hardly serves its purpose, due to its inability to devote the necessary time towards making informed decisions. A professional full-time Parole Board should be created to carry out the parole function, and to periodically review correctional facilities and programs.

CRIMINAL JUSTICE PLANNING

15. The State Planning Agency should provide a forum for all related agencies to plan the use and expansion of manpower.

16. Coordination in the administration of criminal justice should be expanded to include local and regional meetings among the line personnel who are directly involved in the day-to-day operations of the criminal justice system agencies.

17. Since the policy decisions of the Commission must be implemented by the Planning Agency, the staff of the latter must be expanded accordingly if the Commission assumes a more active role in planning and coordination. Personnel recommendations are summarized on page 54.

ORGANIZED CRIME

18. Historically, organized crime has attempted to influence law enforcement agencies, as well as other government institutions. To deal with this problem, law enforcement agencies should develop internal discipline units.

19. In order to insure high moral and sophisticated law enforcement capabilities within the police agencies, the State should continue efforts to upgrade law enforcement training and education requirements.

20. The Attorney General should provide the leadership to bring together the relevant personnel for an inter-disciplinary organized crime unit. Essential to this approach is the availability within the Department of Law of prosecutors who are knowledgeable in tax and criminal fraud areas.

21. The Legislature should request that the Department of Law report to the Legislature next year on the status of organized criminal activity.

FUND RAISING

22. In order to protect the public, and those charities who become enmeshed unknowingly, from unethical and fraudulent charitable fund-raising activities, the Legislature should enact the necessary laws to regulate fundraising practices. Passage of Senate Bill 210 "An act relating to contributions for charitable purposes" or similar legislation is recommended.

LEGISLATIVE RECOMMENDATIONS

SUMMARY OF LEGISLATIVE RECOMMENDATIONS

Passage of the following bills is recommended. This list is a summary of legislation that was taken into consideration during the development of this study, and deemed both reasonable and necessary.

HOUSE BILL 341 " An act relating to the appointment and approval and rejection of magistrates."

This bill has twenty sponsors in the house. It adds magistrates to the law requiring district court judges to stand for confirmation elections.

HOUSE BILL 543 " An act relating to unfair trade practices and consumer protection, and providing for an effective date."

Much needed bill to strengthen the States' ability to deal with "white collar" crime.

HOUSE BILL 776 " An act relating to the State Board of Parole"

This bill creates a full time parole board in accordance with the guidelines recommended by the National Commission on Criminal Justice Standards and Goals (1973). This bill could be amended to have applicants for positions on the Parole Board apply to the Judicial Council, for review and nomination to the Governor, rather than creating special advisory board to make the nominations.

HOUSE BILL 791 " An act repealing the prohibition against the release of information regarding unfair trade practice by the Attorney General to a district attorney or law enforcement officer for use in a criminal prosecution."

This bill strengthens the States' ability to deal with white collar crimes by repealing AS 45.50.521 (a) which prevents the Attorney General from releasing information or evidence produced by the consumer protection office to a district attorney. House Bill 543, an act relating to consumer protection, accomplishes the same goal, as well as adding other needed provisions to the consumer protection laws.

HOUSE BILL 792 " An act relating to aggravated assault."

Under present law, a person can be charged with a felony if a weapon of some kind is used in the course of an assault. If the person who assaults does not use a weapon, but still inflicts serious bodily harm, including maiming, disfiguring, or otherwise showing indifference to human life, he can only be charged with a misdemeanor. This bill, which was adopted from the model penal code, will provide for felony provisions when an assault inflicts serious bodily harm with indifference to human life.

HOUSE BILL 794 " An act relating to the crime of extortion, and providing for an effective date."

This is a bill directed at the activities of organized crime.

HOUSE BILL 802 " An act making miscellaneous special appropriations relating to criminal justice, and providing for an effective date."

This bill provides for approximately 1.5 million to buttress criminal justice components, as recommended in this report.

HOUSE JOINT RESOLUTION 93

" Proposing an amendment to the grand jury section of the Constitution of the State of Alaska."

This amendment would allow a prosecutor to proceed upon complaint or information, eliminating the provision for mandatory grand jury indictment. The amendment preserves the right to a preliminary hearing, which has better safeguards to an accused than Grand Jury proceedings.

SENATE BILL 210 " An act relating to the regulation of charitable organizations, and the solicitation of contributions for charitable purposes."

Legislation is needed to regulate fundraising practices. This bill will protect charities and the public from fraudulent practices. A possible amendment would be to place the administration of the act under the Department of Revenue, rather than the Department of Commerce.

SENATE BILL 313 " An act relating to bail, and providing for an effective date."

Reasonable bail bill which pertains to felonies, and gives the court the right to hold an individual 48 rather than 24 hours in order to allow the prosecutor to obtain evidence relevant to bail hearings.

SENATE BILL 394 " An act relating to receiving stolen property."

This Bill strengthens article 5 of the criminal code, Receiving Stolen Goods. Among other provisions, it provides that a person who violates the section is liable for civil action from the owner of the stolen property.

PROJECTED COSTS OF PERSONNEL RECOMMENDATIONS

SUMMARY OF PROJECTED COST FOR RECOMMENDED
CRIMINAL JUSTICE SYSTEM PERSONNEL

Criminal Investigation Bureau	403,385
Fire Marshalls Office	31,232
Department of Law	377,800
Public Defenders Agency	374,600
Alaska Court System	40,416
Division of Corrections	
Bail Supervision	93,532
Pre-Sentence Report Personnel	66,170
Criminal Justice Planning Agency	65,963
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	\$ 1,453,098.00

DEV

HOUSE FINANCE COMMITTEE

February 11, 1974

1:40 P.M.

PRESENT All members of the Committee except Representatives Warwick, Haugen, and Meekins. Commissioner Emmitt Wilson from the Department of Commerce, and the following members of his staff were also present: Mr. James Brunette, Director of the Veterans Loan Program; and Ms. Lois Cook, Administrative Officer. Mr. Ron Lind was present representing the Division of Budget and Management.

DEVELOP-
MENT Chairman Freeman called the meeting to order and stated that they would be hearing from the Division of Veterans' Loans. He turned the Chair over to Mr. Saylor.

DEPT. OF Mr. Saylor asked Mr. Wilson to give a brief overview of the budget
COMMERCE request.

Division of Vet- Mr. Wilson stated that the FY 74 authorized had been \$341,400, which
erans' was basically in personal services (\$260,000). \$12,000 had been in
Loans Travel, and \$63,000 in Contractual. This year the request is \$428,000
which is an increase of \$86,000 over last year's authorized. However,
after the Governor reviewed it, it was felt they could only request
\$414,300. Of that personal services are \$293,000, travel is \$18,000,
and contractual is \$106,000.

[Sen. Groh arrived.]

Mr. Wilson said they had requested one new position in the Division, that of an Appraiser. It was requested in light of the fact that there are a lot of loans in the rural area. In order to get competent appraisers to expedite loans in the rural areas, it is necessary that they have an appraiser. Up until now, they have been relying on the private sector, but they have encountered difficulty in expediting loans in rural areas because the appraiser is not always able to get there. That position accounts for increases in personal services. In the rest, other than ASHA adjustment, the increases are inflationary.

Mr. Brunette pointed out that the net profit of the veterans fund has been consistent for the last five years: 1969, \$110,000; 1970, \$45,000; 1971, \$232,000; 1972, \$204,000; 1973, \$247,000. He went on to say that so far this year they have made \$157,462, and he projected that it would be \$314,000 for the full year.

Last year, they made \$9.5 million worth of loans, which Mr. Brunette thought was a fairly good sized activity. Already this year they have loaned \$7,330,000, and it looked like there would be \$12-\$13 million worth of loan activity for the year. He noted that this was taken from oil monies and their own profits, as well as other funds that feel fit to invest in Veterans' Mortgages.

Since they are involved with such a huge amount of money, it is necessary for them to spend money for protection.

Mr. Brunette said they have consistently given counseling service to veterans. They are meeting more and more demand from outlying areas. He said there was considerable delay between appropriations and hiring of authorized staff. The money doesn't come available until July 1, so they are lucky to have a person aboard by January. By that time they will have another growth pattern. The reason they asked for additional positions now was to not "get behind the eight ball". Their program can only be of service to veterans if they don't get backlogged.

Mr. Brunette told the Committee that he had annual reports which were available to them if they would like to have them.

Mr. Saylor asked how many loans they had made last year. Mr. Brunette replied that 315 loans had been approved and 400 had been inspected. At the beginning of this year, they had 11,015 loans out. So far this year they have made 212 loans and they project they will be making 400, which is 15% more than they had last year.

Mr. Saylor asked about the request for the appraisers position. He asked if it wasn't normally the obligation of the borrower to pay for the appraisal. Mr. Brunette said yes, but it was expensive-- \$100 to \$1,000. He added that the appraiser would not only do new loan applications in rural areas. They had over 200 construction loans in the field. Someone has to "dog" loans to make sure they are going into the loan project. They do go out and inspect loans and they also need someone to go out into the rural areas to figure out what property values are in the area.

Mr. Wilson stated they didn't envision using the appraiser in the urban areas where appraisers were available at a normal price, only in the event where they were not.

Mr. Saylor asked if they had increased rent. Mr. Brunette replied that the increase from \$12,000 rent to \$34,800 was for the ASHA building. Other increases in Code 300 were \$12,000 for accounting to handle the additional workload, and \$6,000 for a copier needed in the Anchorage area, and inflation pretty much made up the difference.

Mr. Ose wondered why some of the loans were turned down. He asked how many were rejected. Mr. Brunette said that out of 100 applications, they reject between 15% and 20%. However, all of these people have every right to come in with new applications anytime they meet the requirements. He noted they have income limitations and loan limitations.

Mr. Ose asked whether loans were turned down mostly in rural areas, and was told no, that they make every effort to serve the rural areas.

Mr. Ose asked for a rundown of loans, and Mr. Brunette said he would supply it.

Mr. Ferguson asked if there were provisions for the National Guard. Mr. Wilson said that would have to be covered by a fiscal note in addition to anything they propose in their budget.

Sen. Groh commented they were running a little bank for select clientele. Mr. Brunette agreed. Sen. Groh continued, saying that all banks he knew of were against an in-house appraiser. He thought it might be better if the local bankers could provide the appraisal.

Mr. Wilson stated that in many cases, bank managers in rural areas were not qualified to make appraisals. He said that in most cases, lending institutions only service their immediate area. In the larger institutions, people are capable of appraising real estate. However, in the Division's case, they are servicing the whole State. The appraiser will be a cost to them, but will also be of significant value to them to properly service the rural areas.

Sen. Groh asked how they handled payments. Mr. Brunette said that payments were mailed direct to the Central Office. There is one girl who posts and two accountants in the office and except for an Administrative Officer, that is the staff.

Mr. Wilson said they were presently negotiating with a computer service in town to try and get them to assume that service. They will do it if it can be done within their budget.

Mr. Barber asked if the proposed two new positions would be coming out of the Veterans' fund, and Mr. Brunette said they would.

Mr. Wilson brought out the fact that they are bringing in more money than they are expending.

RECESS

Meeting recessed at 2:05 P.M.

HOUSE FINANCE COMMITTEE

February 11, 1974

2:06 P.M.

PRESENT All members of the Committee except Representatives Haugen, Warwick, and Meekins. Commissioner Emmitt Wilson from the Department of Commerce and the following members of his staff were also present: Mr. Pete Jeans, Director of the Division of Small Business Loans; & Ms. Lois Cook, Administrative Officer. Mr. Ron Lind was present representing Budget and Management.

DEVELOP- Acting Chairman Saylor called the meeting back to order and said
MENT they would continue with the Development Category and hear testimony regarding the Division of Small Business Loans budget.

DEPT. OF Mr. Wilson gave a brief overview of the Division's budget. He
COMMERCE asked the Committee to recall three years ago when the Small Business Revolving Loan Fund was created. Before they were able they were able to actually get it off the ground (because they didn't receive funding) two more revolving funds were placed in their Department--the Fishermen's revolving loan fund and the Tourism Revolving Loan Fund. Thus, they had created a Division called Small Business Loans to be responsible for all three.

Small
Business
Loans

Mr. Wilson said that last year they were authorized \$127,600. This year the Governor has recommended \$141,500, which is a \$27,000 increase over last year. This basically is used up in the difference in putting out their automated report. Now they report personal services from actual. Before it was on average C step. The ASHA rental makes up for part of it, and the rest is inflationary.

Mr. Wilson noted that they did request an additional loan officer and a clerk typist, but the Governor had not been able to allow them.

Mr. Jeans passed out a summary of the three loan programs. (See Attachment I, page 6). The Committee took time to review the summary.

Mr. Wilson stated that by statute the Department of Revenue must purchase all mortgages approved by the Department of Commerce.

Mr. Ose asked if the loans were guaranteed. Mr. Wilson said no, they operate under the fact that the Dept. of Revenue shall buy all mortgages that Commerce approves, and at the liability of the State. There is no guarantee involved, although some of the programs do provide for guarantees.

Mr. Ose asked the basis of their selection. Mr. Jeans said they sent applications to anyone that requested one. Mr. Wilson referred them to the handout which said that the Division received approximately 400 inquiries from which 102 applications were returned.

Mr. Freeman asked how much was available in the Fishermen's Fund. Mr. Wilson replied that the law is written in such a way that Commerce has the largest amount available of any institution in the State. It allows an unlimited supply of money so far as the Treasury is worth.

Mr. Freeman asked how old the program was, and was told it passed in 1972. Mr. Wilson noted they had experienced difficulty with the original legislation because in order to lend against a documented ship in excess of 5 net tons, it is necessary for the State to hold a first lien position. In order to do that, they must be a citizen, and the State of Alaska is not a citizen, so they don't qualify to be in the lien holders position. To get around the provision, they had to obtain a trustee. It is cumbersome, but they have a trustee with a lending institution that buys their bonds for the exact same amount as the loan is. Mr. Wilson said they had requested the Congressional delegation to try and exempt them from the requirement of being a citizen. He explained that they were the only loan program dealing with fishermen in the United States, so it had never been a problem before.

Mr. Freeman asked if there was anything that the State Legislature could do to make the program work better, and Mr. Wilson didn't think so.

RECESS

Meeting recessed at 2:30 P.M.

ATTACHMENT I

DIVISION OF BUSINESS LOANS

SUMMARY FOR 1973

LOAN TOTALS

Small Business Revolving Loan Fund	\$1,546,675
Tourism Revolving Loan Fund	4,076,800
Commercial Fishing Revolving Loan Fund	76,500
Total	\$5,699,975

SMALL BUSINESS REVOLVING LOAN FUND PROGRAM

1973

The Division has received approximately 400 inquiries regarding small business loans throughout the State. From these inquiries 102 applications were returned to us. About one-half of these applications met the statutory requirements and were submitted to the loan committee. Twenty-five of these loans were approved for a total of \$1,105,750. In 1972, 14 loans were approved for \$440,925 bringing the total number of loans to 39 for the amount of \$1,546,675. These loans have been made in the following areas of the State:

Anchorage	(13)	\$630,000
Bethel	(1)	40,000
Cordova	(1)	14,500
Fairbanks	(3)	110,000
Haines	(2)	60,000
Juneau	(5)	139,800
Ketchikan	(1)	60,000
Kenai	(2)	96,250
Klukwan	(1)	8,625
Kodiak	(3)	80,000
Seward	(2)	64,500
Soldotna	(4)	183,000
Wasilla	(1)	60,000

At this time we have had one foreclosure. The remaining loans are all current.

We have encountered very few problems with this program and the procedures used have created few complaints.

TOURISM REVOLVING LOAN FUND PROGRAM

1973

The Division has received approximately 100 requests for information regarding this program. To qualify, the applicant must be directly involved in the tourist industry. This year we received 26 completed applications. Of these, eight were approved for a sum of \$2,881,800. In 1972, four loans were approved for \$1,195,000. This makes a total of 12 loans in the amount of \$4,076,800. Of this figure, \$2,649,600 is invested in hotel-motel complexes and other tourist attractions in Southeast Alaska, \$988,200 in the Anchorage area and \$439,000 in the Fairbanks area.

Funds available in this program are limited, and detailed information is required because of the high risk and large sums requested.

COMMERCIAL FISHING REVOLVING LOAN FUND PROGRAM

1973

This program has been the most difficult to administer. We have now entered into a trust agreement with the Bank of Commerce in Seattle, which will enable us to perfect a First Preferred Ship's Mortgage when a vessel is used to secure the loan. This procedure is cumbersome but it does allow us a way in which to implement the program.

We have received approximately 200 inquiries from commercial fishermen. About 40 applications were received and 11 were submitted to the loan committee. Six have been approved and all for small amounts. We have committed \$76,500.

DIVISION OF BUSINESS LOANS

Status of loan programs from January 1, 1974 - February 10, 1974

Small Business Revolving Loan Program

During this period nine (9) complete applications were received by the Division and nine(9) were processed through the loan committee. Of these, two (2) were approved in the amount of \$74,000. One loan was in Fairbanks for \$30,000 and one (1) in Seward for \$44,000. The activity in this program is approximately the same as last year.

Tourism Revolving Loan Fund Program

Six tourism applications have been received during this period. This is about a 30% increase over last year. Two applications have been presented to the loan committee and both were disapproved.

Commercial Fishing Revolving Loan Program

Seventeen applications have been received during this period. This is four times the number received last year at this time. Six were submitted to the loan committee and five were approved for a total of \$164,500. Refer to 1973 summary for comparisons.

HOUSE FINANCE COMMITTEE

February 11, 1974

2:30 P.M.

PRESENT All members of the Finance Committee except Representatives Warwick, Haugen, and Meekins. Mr. Jean Walsh from the Governor's Office, Division of Planning & Research, was also present. Mr. Ron Lind was present representing Budget and Management.

DEVELOP- Acting Chairman Saylor called the meeting back to order and stated
MENT they would continue with the Development category and hear testimony from Mr. Walsh concerning the Division of Planning and Research budget.

OFFICE OF Mr. Walsh said that the development component that was in the Divi-
THE GOV. sion of Planning and Research was actually there because of a federal requirement. These funds they are discussing are all federal Department of Housing and Urban Development planning and management assistance funds under Title VII. In addition to the local assistance funds, there are also funds for state planning and Indian Assistance. These are not a part of the Development category, but part of the General Government category.

Mr. Walsh said that it was necessary for the Office of the Governor to accept the federal funds and then transfer them to the Department of Community and Regional Affairs.

There are three major classes of projects undertaken, Mr. Walsh said. The first class includes the local assistance projects which occupy the technical assistance portion of the Department of Community and Regional Affairs budget. It provides assistance to local governments to solve local management and municipal planning problems--it involves such things as training city clerks and fiscal officers.

The second class is non-metropolitan. It is basically for completion of municipal planning projects. This year they are doing comprehensive plans for Sitka and Ketchikan, and updating comprehensive plans for Nome, Dillingham, and Unalaska. It also can be used for training functions, such as training of municipal officers.

The third class is Indian Assistance Funds, which is assistance to Indian Reservations and to predominantly Native communities.

Mr. Saylor asked if there was any State match for the federal monies. Mr. Walsh said that there was. Depending on the type of project, it was one-third/two-thirds or one-fourth/three fourths. If the project was statewide in nature, the match was one-third/two-thirds.

However, Mr. Walsh pointed out that the Division of Planning and Research had no match in the Development category. The Department of Community and Regional affairs had the match. He stressed that

his Division had no time involved in this BRU.

Mr. Ose thought that HUD funds had been frozen, Mr. Walsh said that all but Title VII had been. There were plenty of management assistance funds.

Mr. Ferguson asked about the \$100,000 for a rural housing study. Mr. Walsh said that they were still in the process of writing the application. He said it had been added at the request of the Budget Review Committee.

Mr. Ron Lind from Budget and Management stated that the \$100,000 was in the General Government category. They are trying to find some way to categorize rents paid in rural areas. They envision something along the lines of categorizing private and State housing attempting to decide what type of housing they should be building out there.

ADJOURN Meeting adjourned at 2:45 P.M.

HOUSE FINANCE COMMITTEE
February 12, 1974
1:35 P.M.

PRESENT All members except Representatives Warwick and Haugen. Commissioner Byron Mallott, Department of Community and Regional Affairs, and the following members of his staff were also present: Mr. Argetsinger, Deputy Commissioner; Mr. Waring, Director of Community Research and Planning Division; Mr. Chenoweth, Director of Local Government Assistance Division; Mr. Boston, Director of Rural Development Assistance Division. Budget and Management staff were also present.

DEVELOP- Chairman Freeman called the meeting to order and stated that Mr.
MENT Saylor would be acting as Chairman of the Development Category.

DEPT. OF Mr. Saylor asked the Department to begin testimony.
COMMUNITY &

REGIONAL Mr. Argetsinger began with the Local Government Assistance Divi-
AFFAIRS sion. He said this Division follows essentially the same structure that the Local Affairs Agency in the Governor's Office did before this Department was formed. Their request for FY 75 is essentially a maintenance level request with two significant changes. They are asking for an additional Local Government Specialist I, which is the entry level for professional staff. There are presently 5 government specialists. They are also asking for contractual service funds in the amount of \$100,000 to complete a study of the Ad Valorem tax base of the unorganized borough. Otherwise, it is essentially a maintenance budget with slight additions due to increased travel costs.

Local Govern- Mr. Barber asked for a justification of the \$100,000 study. Mr. Mallot replied that the unorganized borough as phrased here included all areas in the State outside of organized boroughs. The request is largely in response to legislative concern over a number of years that the State begin to develop kinds of information on those communities both incorporated or not as to their fiscal capacity. During the Special Session an Ad Valorem ceiling was passed. One of the principle long range purposes was to begin to develop one statewide base on meaningful equity in distribution of state wealth. One of the major problems is dealing with the whole question on the ability of these areas to pay their own way. In order for the administration to make recommendations, and in order for the Legislature to develop and pass legislation, this study is necessary.

Mr. Barber asked how many employees they expected to hire to do the study. Mr. Argetsinger said they contemplated undertaking the study on a contractual basis with the State Assessor's Office.

Mr. Chenoweth explained that the State would be a party to a two party contract. The other party would perform work according to the Department, and would be an outside firm.

Mr. Freeman asked if they were attempting to determine the tax base in the unorganized borough. Mr. Mallot replied yes, as much as possible with the appropriation they have asked for, in both the incorporated and unincorporated and get firm figures on what does exist in the way of taxable property. They feel this kind of information would be truly invaluable.

Mr. Freeman asked whether they had it in mind to propose some kind of taxation, and Mr. Mallot replied that the kind of information they would get would give them the knowledge on which to base that sort of recommendation. In-house, they are presently trying to take various geographical areas of the State which they think are local governments and trying to do this thing on a sample basis. They are looking at the tax base, and physical taxability of the residents and their ability to get local match.

Mr. Saylor asked what time frame they were working under, and Mr. Mallot said they are looking at doing it within the next fiscal year.

Mr. Chenoweth pointed out that the estimate on the cost of the study had been prepared several years back, and they were trying to up-date the figures. They thought the money they were requesting would provide the base data they need.

Mr. Saylor asked when their office would move into the Community Building. Mr. Argetsinger said they hoped they would get the building renovated in such a way that they could move in by September. It depends on how fast the people there now get out.

Rural
Develop-
ment Ass-
tance

Mr. Argetsinger went on to speak about the Rural Development Assistance BRU. Again this particular division in the Department is structured the same as the Rural Development Agency in the Governor's Office before the Department was created. The program responsibility is split between this BRU and the Social Services Category. Right now he was speaking only to the Development category. Essentially it is a maintenance budget. They are asking for two significant items: one is a 5% increase in the Grant portion to reflect increased cost of building materials, and the other is one Project Field Representative to replace that position in the Fairbanks Field Office which was closed last September due to shut down of the Fairbanks Manpower Field Office. The federal funds that funded this were formerly in General Government.

Mr. Ferguson asked if the federal field representative position was still intact. Mr. Argetsinger said no, that they contemplated reimbursing the Fairbanks Field office to cover that and the former Nome Field Office.

Mr. Mallott pointed out that even so, they would be nowhere near the previous capacity of that Division. The Fairbanks Field Office had been phased out along with Field Offices in Nome and Bethel.

Mr. Ferguson asked if there was a Field Office in Anchorage, and Mr. Mallott said there was.

Mr. Specking asked to have a breakdown on what the grants have been in the last five years--the amounts and locations. Mr. Argetsinger agreed to supply it.

Community
Planning
Assist-
ance

Mr. Argetsinger went on to speak about the Division of Community Planning Assistance. He noted that the name of the Division had been Community Research and Planning. They changed it to Community Planning because of the confusion between their Division and the Division of Planning and Research in the Governor's Office.

Mr. Argetsinger explained that Community Planning Assistance was created as a new division of the Department at the time the Department was initially structured in 1972. The Division has responsibility for local planning and responsibilities previously held by the Alaska State Housing Authority. They weren't fully staffed until the end of FY 73, so they are just now experiencing their first full year of operation. Their prime function is to support and administer local planning initiation.

The Division has a federally matched planning grant and aid program for communities and boroughs. Normally this type of grant is assessed at 1/4 cost as the local share. The Division will have responsibility for the Non-metropolitan Planning Assistance Program which is being transferred from the Governor's Office in July. That will put all planning efforts of the State in one division. The funding is largely through the federal Department of Housing and Urban Development's Comprehensive Planning Assistance Program on a matching basis (Federal 3/4, State 1/4; and Federal 2/3, and State 1/3), supplemented with State general funds for basic operating costs. He noted it was an increase in dollars to this BRU, but as regarded the State as a whole, they were only transferring from one department to another.

Mr. Saylor asked about the differences in contractual services. Mr. Argetsinger replied it was the result of the transfer of the Non-metropolitan Planning Program--\$286,000.

Mr. Specking asked if that served the rural areas. A Budget and Management staff member explained that the Non-metropolitan program spoke to programs as they operate in the lower 48. In Alaska that particular program exists principally in the larger units of government in the State. Anchorage is the only metropolitan area in the State.

Mr. Specking asked about assistance to local governments. Mr. Argetsinger replied that generally a request for possible incorporation of any municipality in the State was first handled by the Local Government Division. It is more advantageous with that Division with respect to corporate kinds of assistance, and they can move the local government to the point where they might decide to seek incorporation. Then if they require further assistance with respect to planning of their local government system, and the type of programs they might become involved with and should be aware of, that is the point where the Community Planning Division might become involved.

State
Economic
Opportun-
ity

Mr. Argetsinger went on to speak about the Division of State Economic Opportunity. He said that the FY 75 request was strictly maintenance level. It also requests some reductions from FY 74. Those are \$50,500 in Personal Services, \$19,800 in Travel, and \$28,700 in Contractual. The reductions are a result of reorganization and also reductions in federal receipts. Other than this, there are no significant changes from the prior fiscal year.

Mr. Specking asked about the reorganization. Mr. Argetsinger replied they had divided the Division into two separate centers, one in Juneau and one in Anchorage, and restaffed the division putting emphasis on professional programs and less on the lower level of administrative support. An Administrative Assistant was eliminated in the Anchorage office.

Mr. Meekins questioned the reduction in federal receipts. A Budget and Management employee said that at the time the FY 74 budget was prepared OEO had indicated additional funds would be available. However, they were not forthcoming, so the reduction really reflects anticipated receipts which did not materialize.

Adminis-
tration
and
Support

The next Division to be discussed was Administration and Support. Mr. Argetsinger explained that this BRU contained two elements: the Commissioner's Office and the Administrative Services section. The request is maintenance level. They have made some personnel changes since this BRU was submitted to them. He suspected that the next automated budget report would show that.

Mr. Argetsinger explained they had eliminated the Division of Administrative Services and replaced it with an Administrative Services Section. This kind of structure reasonably responds to administrative expertise they need. They are asking for one additional clerical position in this BRU to support other professional positions within the Department on a "pool" concept.

Mr. Mallott commented that the change from the Division of Administrative Services to an Administrative Services section was partly in response to his request when the budget was being built to make every effort to reduce their costs in the administration area. This was principally as a result of Mr. Warwick's concern there were "too many chiefs and not enough Indians".

Mr. Specking asked if there was any impact in this budget, and Mr. Argetsinger told him it was strictly an on-going program budget.

Mr. Saylor asked about the difference in contractual services, and Mr. Argetsinger said their original request had been based on staying in the Goldstein Building using the kind of telephone system they have now. This was adjusted to reflect their move into the Community Building and going onto the Centrex telephone system.

Mr. Specking asked how they would spend \$5,000 in moving. Mr. Argetsinger said they would have to retain one of the local moving companies for the physical move of the office. Also it is the Department's responsibility to take care of any renovation in the Community Building. The Division of Buildings doesn't have the budget for anything beyond paint.

Mr. Saylor asked the total complement staff authorized in FY 74, and Mr. Argetsinger said the complement was 68. They had to lay off 16 in July due to the loss of federal manpower funds. They now have a total of 52. In addition to that, they have requested 5 new positions.

The next BRU to be discussed was the Local Boundary Commission. Mr. Argetsinger explained they were requesting travel for the five-man State Boundary Commission. He said there were a number of petitions and a number of additional boundary matters before the Commission. They operate basically on a request response basis. They estimated 14 petitions for municipality incorporations and 6 boundary change matters would come before the Commission this year. They have also given consideration and made projections based on the Native Land Claims Settlement Act that new incorporation of villages would be advantageous, and will add to the volume of requests in FY 75 and FY 76. They have had a portion of one staff member assigned to this and one clerical position.

Mr. Argetsinger went on to speak about the Rural Affairs Commission. He said it was strictly a maintenance level request. It is all travel funds for the Rural Affairs Commission which is appropriated to their Department for dispersal. They also have been providing "logistical" support. The Commission reports to the Executive Branch on matters concerning the State's rural areas. It is basically a housekeeping matter to the Department of Community and Regional affairs. Normally the Commission has two full commission meetings a year. This past Fiscal Year there was one Executive Board Meeting.

Mr. Specking asked if the money was only used for Commission meetings. Mr. Argetsinger replied that the way it worked was whenever the Chairman and Executive Committee wanted to hold a meeting they asked the Department to arrange the meeting and pay the bills. The money is not used for specific individuals to carry out work.

Financial
Assist-
ance to
Communi-
ties

Mr. Argetsinger moved on to Financial Assistance to Communities. He said this BRU was two separate elements: the Senior Citizens Property Tax Exemption and Organization Grants.

The Senior Citizen Property Tax Exemption concept is to ease the burden of taxation on Senior citizens, thus encouraging them to stay in Alaska. In order that the burden of the taxes lost by operation of this program not be shifted to other property owners, the State provides reimbursement to local governments.

They are requesting an additional \$50,000 over FY 74. They expect there is going to be an increase in the number of individuals eligible for exemption.

Organizational Grants are transitional assistance to newly incorporated boroughs. They are requesting \$60,000 of funding for this portion of the BRU, the same figure as FY 74. The grant is computed on the basis of \$10 per vote cast in the municipality's incorporation election, with a minimum grant of \$25,000 for municipalities--boroughs or first-class cities-- first assuming responsibility for operation of schools.

Mr. Saylor asked how many were expected to assume first responsibility for schools. Mr. Mallot replied that it would largely depend upon what the Legislature did to State-operated Schools this session. If there is a major overhaul, the main thrust of the change will be to have school responsibility at the local level handled under the municipal statutes.

Mr. Chenoweth stated that the budget request assumed two new schools and 10 Second class cities.

Mr. Specking asked if they had actually used all of the money appropriated in FY 74. Mr. Argetsinger said that they lapsed quite a bit of it. He explained that one thing which took place between 73 and 74 was the removal of the income limitation on the Senior Citizen Property Tax. Before that only income below \$10,000 was exempt. They haven't begun to receive requests for funds yet. He said they didn't expect to lapse as much this year as they did last.

Mr. Meekins asked about Senior Citizen Property Tax figures. Mr. Argetsinger said that the best answer he could give was that when the Legislature authorized the program, it was difficult to determine how many people there were in that age bracket and the income generated and also whether they were property owners. There was no way to approximately say because the census could identify age brackets, but not whether they were property owners. He said they wouldn't know until March when the first one came in. After this year, they will have better knowledge on what the program load will be.

The next BRU was Municipal Services Revenue Sharing Program. Mr. Argetsinger said that in this BRU they had made a maintenance level request. By strict definition of maintenance, \$1,860,000 additional General Fund monies which they estimate will fund FY 75 entitlements at a 92% level. The request was based on the announcement that the structure of the present program would remain unchanged. This doesn't take into account programs now before the Legislature or to be introduced.

Mr. Freeman asked the purpose of funding at 92% rather than 100%. Mr. Argetsinger explained that it was a maintenance level request structured to provide the same level of service they did last year taking into consideration program growth, but only to respond to program growth at the same level. If they fund at 92% of what they have been paying and consider operation increases, etc., the level of funding would be \$9,863,000.

Mr. Freeman asked what 100% funding would be, and was told it would be \$10,693,000.

Mr. Freeman asked whether the mass transit entitlement would be included in the present program. Mr. Mallot said that was a new service the Greater Anchorage Area Borough would qualify for under the present program.

Mr. Freeman asked whether the \$10,693,000 included \$500,000 for the mass transit. Mr. Argetsinger said, in their case yes. It also identified other services they knew local governments were planning to undertake.

Mr. Specking asked whether a community could come in with an updated population factor anytime before July 1, and Mr. Argetsinger said yes.

Mr. Specking asked whether it was very difficult to split out that particular factor as impact. Mr. Argetsinger said they had attempted to do that, but added that this program didn't include any impact. There is a separate budget for that.

Mr. Specking asked how population was determined. Mr. Argetsinger said they give the communities two options. Either they can submit an estimate to the Division for judgment, or they can go by what the State Department of Labor comes up with. That is the only piece of data produced by the State that takes in all the factors that influence growth.

Mr. Specking asked how long it took a major metropolis like Anchorage to do a census. Mr. Saylor said they didn't do it that way. Someone in the Borough gives them an estimate, and they adopt it.

Mr. Barber asked whether the \$5 per capita in Transportation Facilities included anything for Juneau. Mr. Argetsinger said yes. However, since Juneau already has a small Boat Harbor, an airport, and a mass transit, they have been qualifying under that portion.

Mr. Barber asked what the difference in revenue sharing would be if Anchorage got a small boat harbor. Mr. Argetsinger said that if it were operated by the city there would be no difference because they are also claiming Merrill Fields and the airport sector.

Mr. Saylor asked if there had been any consideration given to overhauling the revenue sharing program to require that municipalities have to use monies for things that the Legislature has set out.

Mr. Mallott said the Department has spent a considerable amount of time both in-house and through contracts to review the entire municipal services revenue sharing program. As a matter of fact, they have drafted several pieces of new legislation. They are working on a piece now. With respect to Mr. Saylor's specific question, that is one of the policy recommendation items they have looked at. They have drafted language that would require local governments to utilize to some degree their own local resources in order to qualify.

Mr. Saylor asked to see the draft of the legislation and also a copy of the RBM report. Mr. Mallot said he would be pleased to give it to him. He said he had been about to recommend to the Governor that they share their information with the legislature in order to come up with a bill.

Mr. Argetsinger asked that they be conscious of the fact that the Greater Anchorage Area Borough's mass transit was just an example of one of the services that could be accomplished. Mr. Mallot said that GRAA did make a specific request of them with respect to that service and any kind of projects we would make for revenue sharing.

Mr. Saylor said that if the city of Anchorage already was eligible for transportation, he wanted to know how they would justify the Borough receiving \$5 per capita over and above that. Mr. Argetsinger explained they can pay the same \$5 to two different units in the same area for the transportation category, so they would be getting \$10 worth of demand.

National Forest Receipts Mr. Argetsinger went on to National Forest Receipts. He said they served as an agent for pass through of federal funds which the State receives. They pass them on to boroughs and unified municipalities which in turn are required to use the funds for schools and road maintenance. The division is simply a check writer. It is one of the few instances where they have designated funds.

Mr. Specking asked whether they paroled this. Mr. Argetsinger said they haven't the money to check. State law simply goes along with federal law.

Native Claims Payments Mr. Argetsinger said the last BRU was the Native Land Claims Settlement payments. Under this BRU, they are carrying out the State's responsibility to make payments to the Alaska Native Fund for the State's 2% overriding royalties. They are also recording payments from the Department of Interior to the Alaska Native Fund. It is just a housekeeping function.

RECESS Meeting recessed at 2:55 P.M.

HOUSE FINANCE COMMITTEE

February 20, 1974

1:35 P.M.

PRESENT

All members except Mr. Saylor & Mr. Meekins. People present from the Department of Public Works: Mr. George Easley, Commissioner, Mr. Don Statter, Director of Water & Harbors. , Mr. John Benson, Director of the Division of Buildings; Mr. Jim Fennel, Administrative Assistant in that Division; and Ms. Sharon Trimble. Budget and Management personnel were present. Mr. Joe LaRocca representing the press was also present.

DEVELOPMENT

Acting Chairman Haugen called the meeting to order. He said they would review the Water and Harbors budget. That is all Capital. He noted they had been provided with a tear sheet from the Commissioner on the projects in the Capital Budget this year because the budget book wasn't completed yet. He asked Mr. Easley to begin testimony.

PUBLIC
WORKS

Waters &
Harbors

Mr. Easley stated that the total budget for capital and administration was \$1,262,500. This was also the amount they estimated in receipts from the motor craft fuel tax. This is a direct General Fund appropriation. In years past the amount of the program varied widely. Three years ago it was directly related to the fuel tax and it was 3 times that much the year before. This year the Governor wanted the figures to be the same. He said that Mr. Statter would give a brief description of each of the projects.

Mr. Statter stated that the budget document showed each project in some detail with the justification. He said there was a Contingency Fund which they have maintained and spent for emergency predicaments that cropped up. As a general rule, they use most of the money on that item.

The first project on the tear sheet was Homer Harbor Facilities. It was basically associated with new moorage. The City of Homer experienced a lot of difficulty with its current electrical distribution. They intend to revamp the entire system and provide some adequate moorage.

Jokolof Bay, the next item, is going to be bid along with the Homer Harbor Facilities. It is connected to Seldovia by road. It is a convenient method of getting back and forth when the weather is severe. There is also a side that connects to a few of the charter boats. There is no specific landing there at the present time.

Mr. Warwick asked whether they didn't just get through spending a lot of money on Homer. Mr. Statter replied that every other year they spent \$100,000-\$200,000 there. It was about the same situation that worked in every harbor.

Mr. Statter said the Valdez Launching Ramp is a small project that came up later than the budget process, and the City agreed that if the State could provide them with a launching ramp, they would install the planks. He said that the present launching ramp is essentially disintegrated.

Mr. Specking asked if there was enough money there for that. Mr. Statter said there was with the City installing the planks. He added that the City Manager had come in with a request for it. They had not been aware that the situation was as serious as it was.

He said that Hydaburg, Craig, and Klawock were covered together and advertised as one project. There has been no work done in that area for several years. The Hydaburg Harbor Facilities are pre-Statehood vintage and need to be completely rebuilt. The Craig South Boat Harbor was never completely developed. They need additional moorage and a public dock. Klawock is essentially rebuilding their public dock which is in a poor state of affairs now.

Yakutat is in the same category. There have been no new developments there for almost ten years. They have a dire need for additional berthing and a grid iron. In addition they will rebuilt and upgrade existing facilities.

Mr. Haugen asked how many boats were in Yakutat. Mr. Statter replied there were probably 30 resident boats, but there were a lot of boats fishing out of there. He stressed that the most important need they had was for a grid iron.

He went on to the Hyder Harbor Facilities and said the project consisted of reconstruction of the old boat float to which the new sea plane float was attached. The boat float and the approach to it are in bad condition. He explained that part of the approach was connected to a privately owned structure. They intend to bypass that and come up with a new approach and eliminate the problem they had with the long-standing lease and the problems of having him maintain his portion. It will now be an all public facility.

The Kasilof River Facilities project is a continuation of a current project partially funded. It consists of moorage facilities, a launching ramp, and an area to accomodate the fishing fleet in the local Cook Inlet area. This is being done in conjunction with a Corps of Engineers project.

The Sec. 103 Anchorage Removal project was funded last year. This enabled them to begin, but was not enough to do the whole project.

[Mr. Saylor arrived at this time.]

Mr. Statter pointed out that every project on the list was "bare bones".

The Big Lake Navigation Improvement consists of maintaining the existing drainage channel that has filled in in a number of areas, and the installation of permanent navigation lights. They have met with the Big Lake Professionals Association in Anchorage on this.

Mr. Statter said that this project was something they had hoped to do last year, but that had gotten pushed over to this year.

Mr. Specking asked whether it was unique to get involved in projects that far inland. Mr. Statter replied it was true they didn't have as much activity in lakes and rivers, but they all pay fuel tax and are boaters.

Mr. Statter said there were three lake systems joined by three channels--and they have maintained them now for about ten years. The channels are shallow and boats go through them at a pretty fast clip and pull the sides in.

Mr. Haugen asked how much gas tax they paid. Mr. Statter didn't know, and added there was no way of getting that data from the oil companies.

Skagway doesn't have a launching ramp of any type. The one that they have proposed would terminate in the boat harbor there. The area is available, but it is relatively expensive because of the required protective fill work.

Mr. Warwick asked if the Committee could have a status of all other projects they appropriated money for. Mr. Statter had it with him, and copies were obtained for the members.

Mr. Warwick asked whether they ever lapsed any of the money. Mr. Statter said money was reallocatable between projects, although they didn't normally add new projects per se.

[Mr. Myrt Charney, from Budget & Management, arrived.]

Mr. Warwick asked what navigational aids they needed on Big Lake. Mr. Statter said it was just lights to keep people and snow mobilers from running into peoples houses. There have been serious accidents. Originally they had installed lights that were not satisfactory because they protruded onto the ice and whenever the lights went out it was impossible for people to see those huge metal pipes sticking out onto the ice. Those were taken out and the Borough installed floating lights for summer time use, but there was a real need for winter lighting.

[Mr. Meekins arrived at this time.]

Mr. Statter said that this time they planned to install a type of beacon light which would not protrude onto the ice. He said

they had inherited the project and now they have to keep it safe. They can't abandon it.

Mr. Statter went on to discuss Fort Protection which doesn't have a public harbor. Local interest requested the project. It is a small one and very worthwhile as it would provide for local need as well as transient.

The Nome Port Study is one that they feel necessary at this time because of ending bond projects and lack of information. They have to accumulate good hard data to establish accurate needs. Essentially it is a feasibility study and not an economic study.

Mr. Barber asked a question about Ship Creek. Mr. Statter said the design was completed and was going to bid in 30 days. It consists of essentially upgrading existing facilities at Ship Creek.

Mr. Ferguson referred to the 1972 \$30,000 study for the Northwest Harbors. He believed they had expended \$10,000 to do a harbor study in Kotzebue.

Mr. Statter said the study in Kotzebue had been completed and was not a negative one, however, the recommendations indicated that because of several factors--not the last of which was the lack of unanimity in local interest on what to do--that it be deferred until later years. At the present time that program is in a deferred status.

Mr. Ferguson noted that the in 73 the bond issue prepared by Public Works mentioned \$500,000 for a Kotzebue Boat Harbor. The Six Year Water and Harbor Priority List for 1975 showed \$248,000 for Kotzebue. Yet, \$20,000 of the feasibility study was not spent and he knew of no studies being done on the Northwest Harbors in any one of the areas. One of the problems he has is that the Corps of Engineers in our State Water and Harbors has had no construction above the 66th parallel since they spent \$50,000 in 1965 at Fort Yukon. Mr. Statter pointed out that Public Works had spent \$200,000 there.

Mr. Haugen asked whether the \$200,000 was General Fund money, and Mr. Statter said yes.

Mr. Ferguson asked whether any studies were being done for harbor and dock facilities in Barrow. Mr. Easley said no. He believed they were retaining a consulting engineer to do the study, and they should have received the report yesterday, but it hadn't arrived yet.

Mr. Ferguson said he saw priorities on the Six Year Water and Harbor Plan that there was no possible way of funding. Mr. Statter said that right now it was geared to the Watercraft fuel tax. All of their projects in the Six Year plan were based on their present

monies and the Dept. of Revenue's anticipated fuel tax receipts. He said they did have the 1972 Flood Control and Boat Harbor bond project which didn't show up in here.

Mr. Ferguson asked about Anchorage, Ketchikan, and Port Lions. Mr. Easley said they were bond issues tied to Corps of Engineers projects. State funds are used to develop the inner harbor facilities for all Corps projects. With Corps projects they work it so that the Corp builds the outer breakwater and the State builds all the inner harbor facilities. The \$10 million bond requires no local match, it is all state.

Mr. Warwick asked about funds for the design of a small boat harbor located on the Chena River. Mr. Easley said that nothing was done because that was taken out of the budget in the Free Conference Committee.

Mr. Warwick asked whether that meant \$100,000 for the launching ramp in Fairbanks. Mr. Statter said they spent close to \$50,000 on the launching ramp. The other \$50,000 project was never identified.

Mr. Ferguson referred back to the Kotzebue study. He said that was only \$10,000. There was still \$20,000 left. He would like to see continued study. He thought further study should be done in the area with other villages. He hated to see the money lapse.

Mr. Warwick asked what had happened to the \$50,000 for the unidentified project. Mr. Statter said it had been spread out among a half dozen projects.

GENERAL
GOVERNMENT

At this time the Committee went into discussion of the General Government Category of the Budget. Mr. Haugen turned the Chair over to Mr. Saylor, who asked Mr. Easley to give a brief overview of the major changes.

Division
of Build-
ings

Mr. Easley stated that the performance of increases in the Division of Buildings budget were generated by the tremendous expenses they have had and the number of buildings maintained in the last three years. There had been a considerable building program in 71 through 1973, and will be equally substantial in 1974.

As a result of this expense, they have requested the addition of 24 new positions. There is a substantial increase in Contractual which is basically custodial based primarily on the number of additions. Of the new positions they requested, 19 are in maintenance for the new buildings, and 5 are the transfers from the Department of Administration which they had discussed that morning.

Planning
& De-
sign

These positions have been terminated from the Planning and Design section and three positions are again requested for maintenance.

After Recess
4:10 p.m.

Present: Representatives Haugen, Warwick, Ose and Freeman were present. Also present were Dr. Fred Honsinger, State Veterinarian, Judy Crondahl and Myrt Charney from Budget and Management.

DEVELOPMENT

NATURAL
RESOURCES

Agric.

Subcommittee Chairman Haugen called the meeting back to order at 4:10 to go over the Division of Agriculture budget. He requested Dr. Honsinger to proceed with presentation of the Agriculture budget.

Dr. Honsinger began by discussing the Small Grain Incentive Program. He explained that this was originally a 7 year program, amended by adding another year, and providing incentive payments to farmers for the production of small grains. The first four years this was an \$80,000 operation and now they are phasing themselves out, according to plan: \$60,000 for this year, \$40,000 the next year, \$20,000 the next year, and then it terminates. Mr. Haugen asked if there are any bills in to extend it again and Dr. Honsinger said no.

Mr. Haugen asked Dr. Honsinger if he feels this is doing any good. Dr. Honsinger said that they have almost tripled the state's acreage in grains since the start of this program. They had the largest grain production in the history of the state this year. He noted that the state is still producing only 1/2 of its need, however. Mr. Haugen asked why and Dr. Honsinger said that there is only so much acreage. He said that there is new acreage being developed in Delta Junction.

Mr. Warwick asked of the \$60,000 in 1974, how much has been spent. Dr. Honsinger said that they are going to spend about \$40,000 because a lot of the grain this year in the Valley did not ripen so it was put up in green chop or hay. He said that their biggest bills went into Delta Junction this year.

Mr. Warwick asked how they pay the farmers. Dr. Honsinger said that they pay on the production and they dock for moisture and wheat seeds. Mr. Warwick asked how much they pay a bushel and Dr. Honsinger said that it is not a flat rate so it is very difficult to say.

Asked what the thought behind this program was, Dr. Honsinger said that it is an incentive for people to get into small grains. He said that he feels with the opening up of new lands it has more than paid its way. Mr. Warwick asked again about the cost per bushel paid by the state and Dr. Honsinger said that in the Matanuska Valley a farmer would probably get about \$17 per barrel; in Delta Junction he would probably get about \$19.80.

Mr. Warwick asked what they will give next year per bushel and Dr. Honsinger said that that will depend. They plan to put in a little more acreage this coming year. If they had gotten good production in the Matanuska Valley this year they would have been short of money so if they get good production next year plus having additional acreage, they may well run short. In this case they will have to prorate down. He noted that agriculture is always a gamble.

Going on to the Agricultural Revolving Loan Fund, Dr. Honsinger said that they presently handle a little over \$4 million in the loan fund. They handle around 300 loans a year. This pays its own way from revenue out of interest money, he said. Mr. Warwick asked how the fund is doing. Dr. Honsinger said that it is vastly improved over five years ago. Mr. Warwick requested that the committee be given a copy of the portfolio on the loans.

Mr. Warwick noted the request for another clerk typist. Dr. Honsinger said that they are requesting another 1/2 time clerk typist to pick up the workload during part of the year. He said that the workload gets pretty overbearing in Palmer. Mr. Warwick asked if they have offices other than the Palmer office and Dr. Honsinger said that they have one in Fairbanks where they have a produce and meat inspector handling some of the footwork on the loan program, and a Juneau office.

In the capital budget, Dr. Honsinger said that they are requesting a \$200,000 increase for loan monies. Mr. Warwick asked what is done with the interest off the loans. Dr. Honsinger said that first, it pays for the Administration of the loan program and the remainder goes back into the loan fund and is utilized for additional capitalization monies. Over the years this program has always operated in the black, Dr. Honsinger said. They are down around 10% delinquency which is pretty low for a loan program of this sort, Dr. Honsinger noted. This is low interest money -- 4 1/2 to 6%. They gained a little over \$100,000 this year. A little over \$4 million has come from selling real estate notes to Revenue, but there are guidelines on how much they can sell to Revenue. They can only sell to them on first security real estate. They have short term (one-year) notes and chattel and mortgage notes which they do not sell to them. The guidelines on how much to sell are so that if any of their big loans should go over 90 day delinquency and Revenue asked to be replenished, they would be able to do so. They need a cushion against such a possibility.

In response to questioning by Mr. Ose, Dr. Honsinger said that they will loan up to \$150,000 on real estate, \$100,000 on chattels, and up to \$15,000 on short term. They will also

make loans for irrigation. Mr. Warwick asked what the short term loans are and Dr. Honsinger said that they are for one year only -- like for fertilizer or emergency seed loans.

Mr. Haugen asked if they are involved with the pig farm. Dr. Honsinger said that they have one large hog operator north of Fairbanks and there is a hog farm at Delta Junction but it is primarily in grain now. The state has investments in both of them, however. Mr. Haugen asked why they have reduced their operation in Delta Junction and Dr. Honsinger said that the people are making more money in grains. Dr. Honsinger noted that the hog operator north of Fairbanks is buying much of his feed grain from Delta Junction.

Mr. Ose asked about the proposed pig ranch in the Matanuska Valley. Dr. Honsinger said that it is in the formulating stage. It is not in production.

Mr. Haugen asked about the reindeer slaughter in Nome. Dr. Honsinger said that they have put about 600 heads through it this year. It is the only inspected meat going into Fairbanks and Anchorage and is the only reason reindeer sausage is now available. The state still owns it, but has it leased out to the Reindeer Herders' Association, but unfortunately they do not have any trained personnel so the state still has to send people up to help out.

Mr. Ose said that he has heard reports from reliable sources that the reindeer herders are very negligent. Dr. Honsinger said that last year quite a bit of money was appropriated, and they're at probably the lowest number of reindeer in 40 years. One of the reasons that money was appropriated to the Dept. of Economic Development was to find out just what was being done. They have prepared a report on this and Dr. Honsinger said that he would see to it that the committee got copies. He said that most of the money that was appropriated to Economic Development ended up going to Agriculture and is being used to get regional corporations involved in the reindeer program. He said that he thinks this will be the future of the program if it is going to have any future at all.

In Aid to Fairs, Dr. Honsinger noted that the communities have to match the state money. There is some confusion about state fairs monies -- there is money in the Agriculture budget and also money in the capital budget. It is the Aid to Fairs that has to be matched. The request for FY 75 is \$104,000 which is exactly what was matched last year. In the capital budget, the Fair money is in the millions. In response to questioning

by Mr. Specking, Dr. Honsinger said that in the capital budget it's a bond package and direct appropriation. He noted that he met with House State Affairs a couple weeks ago on HB 477 which is on GO bonds for state fair facilities construction. Under the committee substitute for this bill instead of appropriating those capitalization funds to Natural Resources they are going to be handled by the Department of Public Works. Current requests include racetracks, heated bandstands, along with fair buildings.

The Plant Materials Center is looking toward its third year, and Dr. Honsinger said it is getting pretty well off the ground. He said that they are a couple years ahead of their schedule. They had planned to get and clear state lands, but after re-evaluation of state lands it turned out that it was cheaper to buy a small farm, already in operation, than to lease state land for 10 years, and clear the ground. They did this and so they are ahead of schedule.

Mr. Specking questioned the cost of leasing state land being more expensive than purchase of private land. Dr. Honsinger said that this was Health and Welfare land, administered through the Division of Lands. Mr. Charney said some of this was mental health land -- and somehow that related to the high cost. There was some discussion on the shortage of state land. Mr. Charney said that he tried to put more money into Cadastral Engineering so that they could go out and survey, subdivide and sell more land, but he was unsuccessful.

There was questioning about the Center. Dr. Honsinger was asked if they are getting new grass to grow, and he said yes. He was asked if the grass is being used, and he answered yes, stating that they have been approached by ALEYSKA about putting in 100 acres of Meadow Foxtail. Under Capital Improvements they have requested \$50,000 for a greenhouse. They are hopefully going to get another request together by next week and are hoping to move up their seed cleaning building by two years. They are ready to pull their seed cleaning materials together and put it into a building. This is a \$75,000 facility.

Mr. Saylor came in.

In Administration and Support, Dr. Honsinger said that they are requesting less than last year. Their request is for \$77,500. The 1/2 time clerical person picked up in the Loan Fund was originally requested in this budget. There was some confusion as to status of this request. Ms. Crondahl explained that there will be 6 months more in Agricultural Loan Program, and 6 months less in Administration and Support.

Mr. Warwick asked about the personnel costs. Ms. Crondahl explained that last year's budget did not reflect the actual cost of salaries -- and this one does. Also, Mr. Charney noted that a \$1,000

Vacancy was attached last year.

Mr. Haugen asked Dr. Honsinger if membership in the various organizations is really necessary, and Dr. Honsinger said that actually they could belong to several hundred organizations and have restricted themselves to three or four. The primary purpose of these is to keep current with what is going on in the industry. Hopefully the Director will get out to a conference at least once or twice a year for this same purpose.

Mr. Haugen asked about the Pea Farm. Dr. Honsinger said that it has been phased out. The state still has the equipment, and is trying to put together a \$2 million project in Palmer for a frozen vegetable plant.

Adjourned: Meeting adjourned at 4:50 p.m.

HOUSE FINANCE COMMITTEE

February 21, 1974

Thursday

10:55 a.m.

Present: All members with the exception of Representative Ferguson. Also present: Irene Ryan, Commissioner, Department of Economic Development; Richard H. Eakins, Director, Division of Economic Enterprise; Wallace Williams, Deputy Director, Division of Tourism; Robert Leshner, Administrative Officer; Mr. Frank Seymour, Alaska Visitors Association.

Members of the staff present were J. H. Hogan, Director, Legislative Finance; Milt Barker, House Fiscal Analyst.

Joe LaRocca of the press was present during the first ten minutes of the meeting.

DEVELOPMENT Acting Chairman Ernie Haugen called the meeting to order.
Dept. of The Committee considered the Economic Development FY 75 budget.
Economic Commissioner Ryan informed the members that the department's
Development budget is largely a maintenance budget as it has been over
the past three or four years.

Rep. Haugen asked Commissioner Ryan if there was a request in the budget for any extra employees; Commissioner Ryan replied that there was not. She then turned over discussion to Mr. Wallace Williams, Deputy Director of the Tourism Division.

Tourism Mr. Williams told the Committee that in most cases, the Tourism budget was a maintenance budget. He stated that the programs Tourism deals with are ongoing and gain momentum and must be carried on to retain effectiveness.

Mr. Williams told the Committee that his Division is requesting funds for a travel film production, but that the request is not listed within the budget because it was cut out in the preliminary budget. Mr. Williams said his Division had to "opt" to delete this request at that time. He said the reason for the request was due to the aging factor of the present film on Alaska. The film must be replaced to hold the general public's interest; the film is distributed nation-wide, and television is the prime media; it is evident that the impact of the film is beginning to taper off. Mr. Williams stated that while the department felt the film should be renewed, the Governor did not; the Governor's Budget Review Committee made a general cut in the department's budget request including a reduction of approximately \$90,000. Mr. Leshner, Director of Administrative Services, stated that he did not know what the rationale was for such a move other than they did not have a priority on the total state funds.

Mr. Williams told the Committee that the travel film which needs updating is entitled "High Roads to Alaska." Rep. Warwick asked how the film was distributed. Mr. Williams said that 20 copies of the film are made and are distributed nationally by a film distribution company. The largest portion of the viewing audience comes from the television media, which uses the film as "filler material"; there is no sponsor.

Mr. Williams explained that the film distribution company publishes catalogs listing various films available to television, the general traveling public, traveling clubs, and service agencies --the film is furnished free.

Mr. Williams added that some time ago, it was learned that the film had been shown to viewers numbering well over 15 million; he did not know how many had seen the film since that time.

Rep. Warwick asked how many times the film had been shown and where it had been shown. Commissioner Ryan stated that they would provide Mr. Warwick with that information; it would be necessary to write the film distribution company for such statistics.

Commissioner Ryan stated that the cost of "High Roads to Alaska" had been \$65,000; it was estimated that the requested new film would cost \$90,000.

Rep. Warwick then noted a substantial increase in rent in the budget. Mr. Leshar stated that they deleted the rent from the Goldstein Building in Juneau and put in the figures of the rent of their pro-rated share in the new Alaska State Office Building. Rep. Haugen asked if that is Alaska State Housing Authority rent. Mr. Leshar replied that it was; he believed that they are trying to amortize the building. Mr. Leshar added that the Division of Budget & Management had requested that they put this in.

Rep. Warwick then asked if the department was allocated more space (than they currently have) in the new building. Commissioner Ryan replied that they do not have any more space. Mr. Leshar said he thought they were paying 50¢ to 60¢ per square foot. Mr. Hogan said there are problems on the ASHA rentals on the new building. The bonds were sold over a short terms. Mr. Warwick stated that the rent is \$1.14, but if the department is not getting any more space, it looks like the rent is much higher than \$1.14. Commissioner Ryan stated that until they have moved into the new building, it will be difficult to tell; she said that on the basis of the last blueprints they had seen, there was substantially no difference.

Mr. Leshar told the Committee that the Tok facility rent had been withdrawn and transferred to Department of Revenue because that department occupies the facility year-round.

Rep. Saylor told those present that according to a report on the allocation of Juneau State Office Building Costs in FY 75, the Department of Economic Development had 8.85% of the total space, and the debt service requirement will be \$14.15/year/square foot (see departmental budget file for a copy of report).

Rep. Meekins told Commissioner Ryan that he had proposed a bill which would put money in the budget to produce a film which would discourage people from coming to Alaska to seek employment during pipeline construction. The film would give the true facts of employment opportunities. Rep. Meekins then asked if this film would, in any way, conflict with encouraging tourism to the state. Commissioner Ryan replied that it would not; she said that the department is interested in a tourist with more than \$5 in his pocket; the department is not interested in a "tourist" who does not contribute to the state's economy. Commissioner Ryan pointed out that there will be areas negatively affected by the pipeline in the state; tourism will benefit those areas.

Rep. Specking stated that it might be prudent for the thrust of the department's promotion of tourism to stress transportation into the state via mass transit means such as the state ferries and commercial airlines rather than private vehicles such as cars and campers. Rep. Specking voiced concern over such vehicles depleting the limited amounts of state fuel. Commissioner Ryan stated that the department had cancelled advertising which would attract cars and campers; she added, however, that this will definitely and negatively affect the out-of-the-way businessman in the state.

Rep. Warwick then noted that \$19,600 was requested for Fees under Conventions. Mr. Leshar stated that the division is trying to expand the convention program, and rather than ask for a permanent full-time position, they wished to hire on a contractual basis and then measure the validity of the program expansion. Mr. Leshar said the division wanted to see if the program can measure up to the effect they are now achieving. At present, one man is responsible for \$2 million in revenues, and is doing a highly effective job on a budget of \$40,000. Mr. Williams explained that a "salesman" for the state attends companies' conventions and tries to sell Alaska as a future convention site.

Rep. Haugen asked if the person contracted with would supplement Mr. Dutch Derr's efforts in the division. Commissioner Ryan replied that the position would be supplemental.

Rep. Haugen referred to the \$400 figure under Merit Increase/Benefit Decrease. He then asked if the department had not given any 4% merit increases to any employees. Commissioner Ryan stated that the figure was computed according to budget instructions; she pointed out that it was a combined figure; the merit increase figure would actually be more than 4% (showing that merit increases had been given) by removing benefit decreases.

Rep. Haugen asked if the department had had any reclassification of positions. Mr. Leshar replied that there had not been any.

Rep. Specking asked if the department had an impact budget. Commissioner Ryan replied that the department did not have an impact budget.

Rep. Warwick then noted \$35,000 for Contractual Services under the Foreign Travel Market item. He asked if this money would bring on board a position. Commissioner Ryan stated that in this case, the funds would be used for expanded contractual services with existing people to complete an increase in advertising. She explained that "Off" Season Travel funds were to be expended in much the same way.

Rep. Warwick asked the Commissioner to explain the 30 to 1 return on investments under the Foreign Travel Market item. Commissioner Ryan explained that this was similar to the Conventions item; return on investment studies are developed by the travel industry; the studies provide statistics regarding how many conventions will be held in the state, how many conventioners will attend and how much each spends. Commissioner Ryan said these figures are quite important; the conventioner will spend more money than the average tourist. Mr. Leshar pointed out that for every \$1 invested by the department, \$40 is received in revenues. The \$40 to \$1 ratio does not include air transportation.

Rep. Warwick noted that the department will have \$480,000 in printing and advertising. Mr. Williams stated that the advertising area must continually be analyzed and updated; at present, there are twelve brochures needed to adequately describe the tourism story in the state.

Economic Enterprise The Committee then considered the Division of Economic Enterprise budget.

Mr. Richard Eakins stated that with the position of the Principal Economist on board, the division now has the capability of quantitative statistical analysis on the performance of the Alaska economy. The division is estimating what the Alaska economy is doing at present and what it will be doing in the future. Mr. Eakins said they were about to develop the statistical information which will allow special studies in the industrial sectors of the economy. The statistics are developed for the businessman who wishes to expand his business or start a new business; the division extends its services and resources to those individuals and to any communities who wish to develop an industry. He added that they had serviced 22 communities so far.

Regarding energy development in the bush communities, Mr. Eakins stated that in many villages, each consumer has its own energy producing system such as the school or a state agency in the community; many of these systems are inefficient. Mr. Eakins said that to counteract this, a project is now underway to provide an energy producing system by using windmills which will provide energy to an entire village. If a village has an

average wind velocity of over 8 knots and pays 50¢ per gallon for diesel fuel, a windmill would be sufficient for that particular village's energy needs. Mr. Eakins mentioned that Anaktuvik Pass had decided against the windmill project, feeling that their location on the pipeline will provide cheaper energy. He added that there are other cheaper energy systems such as found at Wainwright where coal deposits are located and utilized.

Mr. Eakins said there is a cooperative project among the North Slope Borough, University of Alaska, Community & Regional Affairs, and the Department of Economic Development to provide energy for entire villages through the windmill project. Mr. Eakins said "we requested \$35,000 to get matching money."

With regard to mining as an economic base in the state, Mr. Eakins stated that they believe hard rock will have a future in Alaska; feasibility studies will help find the economic parameters necessary for that mineral ore to be developed. He added that the information from these studies would be public information, and hopefully picked up by private companies.

Mr. Eakins then referred to the Reindeer Industry. He said the department produced a special report which was provided to Committee members. The department felt that if properly handled and developed, the reindeer industry has significant economic potential for the rural areas. The money spent this past year on the industry was not used to alleviate present performance problems, but rather to keep the industry going for this year.

Mr. Eakins stressed that most of the problems can be overcome by involving the native corporations. Legislation has been drafted and approved by the corporations involved which have created a Reindeer Policy Board. The Board will centralize all reindeer programs and will aid in management direction and the stating of priorities. Commissioner Ryan explained that the Board will come under legislation introduced by the rural legislators.

In response to Rep. Warwick's question on Predator Control, Mr. Eakins stated that caribou and wolves are the main problems. Caribou lead the reindeer away from the herds; therefore, air surveillance is necessary.

In response to Rep. Freeman, Commissioner Ryan said that the reindeer are owned by the Natives under federal law. She explained that this is the first year for state contributions into the industry although the state has provided inhouse services such as veterinary care, etc. Commissioner Ryan said there is a vast market for the sale of the reindeer hides, horns, meat, etc. Even the local market in Anchorage cannot be satisfied.

Rep. Freeman asked if it would not be possible for the industry to be run by stockmen from out-of-state; if they controlled the herds, it would save the state and the Natives money. Commissioner Ryan said that could be a solution if the Natives agree to that.

2/21/74

Commissioner Ryan agreed that the situation in the past has been hopeless, but she stated that the younger generations which are now participating in the corporations will have a different output and drive.

Rep. Freeman asked what incentive there was for the Natives to continue in the industry as long as the federal government puts in the money. Mr. Eakins stated that the incentive is profit as the native corporations realize that the reindeer industry must be run on a business management basis. He referred to the seven-page report published by the department which outlines the program and explains the potential market for reindeer meat, etc.; the publication also provides a solution to the industry's problem which is to have the state take over the leadership role; Commissioner Ryan emphasized that she did not recommend the state to take this on as an ongoing program. She said that once the corporations can get started in the right direction, the state can pull out of the program. Even if the corporations cannot handle the industry in a few years, the state should still move out.

Commissioner Ryan told the Committee that the department had met with all those people concerned in the industry: the federal government, the native herders, corporations, and villages involved. Rep. Ose then asked what effect the pipeline might have on the younger generation which may want to leave the reindeer industry? Mr. Eakins said he could not project that situation, but he stated that the younger generation seems anxious to carry through with the reindeer industry.

Mr. Eakins added that the federal participation in the program is one of maintenance; it results in the continuing dependence of the Natives. The program has not changed in the last thirty years; the status quo of subsistence must now be switched to business management. The state, therefore, must exert leadership to change the direction of the program.

Mr. Eakins said that the department believes that BIA is under a great deal of pressure from program failure; the BIA may be ready to turn the money over to the state as well as the power of providing direction.

Commissioner Ryan stated that if the state does start out the program with the native corporations, the federal government may turn over funds to the corporations.

Although the program will need state support for two or three years, the corporations say they will invest their own money.

Rep. Barber said it is important for the state to keep the program alive until the corporations are big enough to handle it alone.

Discussion followed on the Small Business Development Corporation. Commissioner Ryan stated that the impact on this loan fund has increased since the construction of the pipeline was announced; the small business-man will take advantage of the program to expand his own business. She said that last year, they requested \$100,000 and were cut back. They did not initiate the request this year because they were informed that it was necessary to keep the budget under certain "restraints"; therefore,

the fund is now down to \$1,800. The SBA told the department to request \$100,000 for the next fiscal year because they can see the number of applications for loans increasing. Commissioner Ryan said that the Small Business Development Corporation said they may have one loss (Golden Rickshaw in Anchorage) which would amount to \$25,000.

The total amount of money under the program loaned (state money) is \$485,000. Commissioner Ryan stated that the SBD's matching contribution is 5%.

Rep. Haugen then asked how much collateral was necessary to get a loan from the SBA. Commissioner Ryan replied "very little". The equity input by the businessman can be as low as 5%.

Commissioner Ryan explained that under a federal act, the Small Business Administration can loan through a local development corporation (comprised of businessmen in the community) to the small businessman. the local development corporations pledge money into the loan and can guarantee up to 80% of the total.

Recess: There being no further discussion, the Committee recessed at 11:55 a.m.

HOUSE FINANCE COMMITTEE

February 26, 1974

9:00 a.m.

DEPT. OF ECONOMIC DEVELOPMENT Following the brief at ease, Mr. Freeman announced that the committee now had before them representatives of the Alaska Visitors Association, present to give their views on the Division of Tourism budget (under the Department of Economic Development.) Present were the President of the Association, Mr. Al Parrish from Fairbanks, and Mr. Frank Seymour.

Mr. Parrish passed out prepared testimony, which is appended to these minutes. He read from this testimony throughout the meeting and the bulk of the information discussed in the meeting is contained therein.

The general thrust of the comments by Messrs. Seymour and Parrish is that the Tourism budget has not increased in keeping with the rise in tourism in the state and they made several recommendations as to changes that might be made.

The meeting recessed at 10:00 a.m.

2/26/74

**Tourism
is everybody's
business.**



Alaska Visitors Association

P. O. Box 2208, Anchorage, Alaska 99510

(907) 279-4116

February 26, 1974

INTRODUCTORY COMMENTS AVA 1974 LEGISLATIVE GOALS

The Alaska Visitors Association has expended considerable time and effort over the past ten months in the conducting of meetings and the gathering of information and opinions on Alaska's visitor industry needs. Our task was to try to isolate and identify the trends and problem areas of the industry and then present these problems and trends in a manner that would permit consideration of solutions.

The Association is particularly grateful for the assistance and participation of many State Legislators during the legislative hearings on tourism held in Anchorage last November. Most of the legislation and budgetary considerations that we are recommending to you today are a direct result of the testimony that was presented at that hearing. I hope each of you that were unable to attend the meeting has, at least, had an opportunity to read the digest of those proceedings which we published last month.

Alaska's visitor industry, a statewide non-extractive business, has grown over the past decade by an average annual increase of 15.4%. This growth has not been by accident, it's come about because of the investment of time and money on the part of industry and government in developing this viable business. The visitor industry in our State has been more fortunate than most during the past few years and, if the present growth rates are sustained, which they can be with coordinated effort, we will continue to enjoy growth in jobs and profits for Alaskans. We all know Alaska has an unemployment problem. The labor intensive nature of the visitor industry lends itself to being a major contributor to the solution of our unemployment in many communities of Alaska.

We would like to suggest that this industry has continued to grow; however, the State's participation, due to several factors, is beginning to fall behind the needs for orderly growth. Much of the legislation we are recommending to you, and has been introduced, is geared to further identifying possible solutions for the problem that this growth might bring about. At the same time, this legislation and budgetary requests would help in bringing our state closer to meeting the needs of the thousands of Alaskans, that have vested interest, through jobs and businesses, in servicing our visitors. We suggest there is a substantial need for additional investment in the visitor industry and there is a direct and immediate, as well as the indirect, advantage and return to the State of Alaska.

Without going into any further detail in these opening comments I would like to take this opportunity to call your attention to the materials that have been distributed. We will make some individual comments on each item and be pleased to answer your questions as we cover the individual items.

ALASKA VISITATION

VOLUME OF TOURISTS
1964 - 1974

<u>Mode of Travel to Alaska</u>	<u>1964</u>	<u>1967</u>	<u>1970</u>	<u>1973</u>	<u>Average Annual Increase</u>
Alaska Highway	23,300	33,950	44,000	66,000	14.7%
Airline	13,250	20,600	38,000	84,100	22.7%
Marine Highway	11,650	18,950	20,000	28,800	10.55%
Cruise Ship	11,000	13,200	27,000	36,400	12.84%
Total	59,200	86,700	129,000	215,300	15.4%
Percentage Change		47%	49%	41%	

PERCENT OF TOURIST VISITS TO ALASKA BY MODE OF TRAVEL

<u>Mode of Travel to Alaska</u>	<u>1964</u>	<u>1967</u>	<u>1970</u>	<u>1973</u>
Alaska Highway	39%	39%	34%	31%
Airline	22%	24%	30%	39%
Marine Highway	20%	22%	15%	13%
Cruise Ship	19%	15%	21%	17%
Total	100%	100%	100%	100%

Source Note: Cresap, McCormick and Paget, A Program for Increasing the Contribution of Tourism to the Alaskan Economy, 1968.

Alaska Division of Tourism, Alaska Transportation and Purpose of Travel, 1974.

ALASKA VISITORS ASSOCIATION

<u>FISCAL YEAR</u>	<u>DOT BUDGET</u>		<u>VISITOR TRAFFIC</u>
	<u>GOVERNOR'S BUDGET</u>	<u>LEGISLATIVE ALLOWANCE</u>	
1964	n/a	389.6	59,200
1965	400.0	395.0	
1966	403.0	418.5	
1967	448.7	455.3	86,700
1968	587.7	589.2	
1969	598.6	611.1	
1970	655.0	550.0	129,000
1971	900.0	808.6	
1972	878.8	970.4	
1973	887.4	1,019.0	215,300
1974	1,144.4	1,100.0	
1975	1,180.5		

GROWTH FACTORS 1964 - 1973

Tourism Traffic Volume	3.63
State Expenditures Budget	3.70

While these two factors have been growing and inflation in this ten year period has decreased the purchasing value of the dollar by an estimated 40%, the State Division of Tourism has only been allowed a growth factor of 2.82.

ALASKA VISITORS ASSOCIATION

TOURISM RELATED
STATE REVENUE COLLECTIONS
*Fiscal 1971-72

The dollars of revenue are taken from official State records. The percentages attributed to Alaska's "tourist visitor" is an estimate arrived at by the Alaska Visitors Association in counsel with economists familiar with Alaska's economy. The AVA considers these figures in total to be conservative.

	<u>TOTAL REVENUES</u>	<u>PERCENTAGE ATTRIBUTED TO TOURISM</u>	<u>DOLLAR VOLUME ATTRIBUTED TO TOURISM</u>
Alcoholic Beverage Excise Tax	\$ 4,837,790.	10%	\$ 483,779.
Cigarette Tax	3,224,492.	10%	322,449.
Business License Tax	6,069,123.	5%	303,456.
Income Tax	39,076,275.	5%	1,953,814.
Corporate Tax	6,458,039.	5%	322,902.
Highway Fuel Tax	8,898,816.	20%	1,334,822.
Aviation Fuel Tax	1,476,622.	20%	295,324.
Watercraft Fuel Tax	1,026,522.	50%	513,261.
Corporation Licenses and Fees	432,818.	5%	21,641.
Amusement and Gaming Device	66,647.	50%	33,323.
Liquor Licenses	758,500.	10%	75,850.
Non-Resident Sport Fishing	265,000.	100%	265,000.
Ferry System Receipts	8,963,800.	25%	2,240,950.
Airport Revenue	500,000.	20%	100,000.
Aircraft Registration Fees	50,000.	20%	10,000.
Guide Examination Fees	2,000.	90%	1,800.
Guide License	23,000.	90%	20,700.
Non-Resident Hunting & Trapping	1,600.	60%	960.
Park Fees	7,600.	100%	7,600.
Big Game Tags	383,900.	100%	383,900.
Non-Res. Combination Hunting & Sport Fish	64,400.	90%	57,960.
 Anchorage:			
Airport Landing Fees	1,676,300.	} 20%	1,480,180.
Airport Gas & Oil Fees	3,582,400.		
Terminal Building Rentals	735,000.		
Vehicle Parking Fees	123,900.		
Concession Fees	1,283,300.		
 Fairbanks:			
Landing Fees	356,100.	} 20%	202,260.
Gas & Oil Fees	331,400.		
Terminal Building Rentals	218,100.		
Concession Fees	105,700.		
	<u>\$82,600,244.</u>		<u>\$10,431,931.</u>

*Alaska received an estimated 170,000 "Tourist Visitors" during the time covered by this fiscal year.

A few estimated local tax revenues derived from visitors include: Juneau, \$150,000; Ketchikan, \$175,000; Fairbanks, \$400,000. Local tax revenues from tourism include a substantial percentage of hotels, gift shops, etc. property taxes. All of these new "cash register" dollars are contributed to our economy without one dollar of tax demands from Alaska's largest single cost item -- education.

ALASKA VISITORS ASSOCIATION

February, 1973

The AVA endorses and requests your support of the following legislation:

1. House Concurrent Resolution No. 35
Relating to visitor information centers.
2. House Concurrent Resolution No. 36
Relating to a study of utility and transportation facilities for tourists.
3. House Concurrent Resolution No. 37
Requesting a study and development of recommendations for land use controls along the state highway system in the unorganized borough.
4. 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
5. House Bill No. 433
"An act relating to art works for public buildings; and providing for an effective date."
6. House Bill No. 587
"An Act providing for state assistance in the construction of port facilities; and providing for an effective date."
7. House Bill No. 595
"An Act making a special appropriation to the Department of Economic Development, division of economic enterprise, for the purpose of funding a statewide tourism impact study; and providing for an effective date." *2,500,000
Special Study*
8. House Bill No. 596
"An Act establishing a tourist development and visitor information center program; and providing for an effective date."
9. House Bill No. 597
"An Act making a special appropriation to the University of Alaska for the implementation of tourist industry management courses; and providing for an effective date."
10. House Bill No. 598
"An Act making a special appropriation to the Department of Commerce for the tourism revolving fund; and providing for an effective date."
11. House Bill No. 657
"An Act providing for the issuance of general obligation bonds in the amount of \$17,824,000 for the purpose of paying the cost of capital improvements for airports; and providing for an effective date."
12. Senate Bill No. 314
"An Act providing for a souvenir sport fishing license."

ALASKA VISITORS ASSOCIATION

STATE FUNDING RECOMMENDATIONS
1974 Legislative Session

Items 1 through 9 are recommended additions to the Division of
Tourism budget.

Items 10, 11, and 12 are special appropriation bills.

	<u>Estimated Cost</u>
1. New Position (Anchorage) (Range 20) A Information and Development Officer (HCR 38)	\$ 22,800.
*2. New Position (Juneau) (Range 19) A Assistant Convention Coordinator	21,500.
3. New Position (Juneau) (Range 16) A Tourism Development Officer	17,250.
4. Temporary Help -- for inquiry servicing	10,000.
5. Travel	20,000.
6. Commoditiés	5,000.
7. Grants Program	20,000.
8. Off Season Market Development Program	75,000.
9. Contractual Services	<u>150,000.</u>
subtotal	\$341,550.
10. University of Alaska Program for Tourism Management (HB 597)	37,000.
11. Tourism Impact Study (CS HB 595)	<u>250,000.</u>
Total	<u>\$628,550.</u>
12. Appropriation for Tourism Revolving Loan Fund (HB 596)	\$5 million

*(may not be necessary until early 1975.)

After Recess
7:00 p.m.

All members were present with the exception of Representatives Barber, and Ferguson. Also present for the first 15 minutes of the meeting was Mr. LaRocca.

Chairman Freeman called the meeting back to order, announcing that the meeting was called to tentatively close out the Development category. Mr. Haugen is subcommittee chairman of this budget.

DEVELOPMENT

CLOSE-OUT

Short forms were passed out to the committee and the committee, per its policy this year, went through the worksheets element by element, in most cases accepting the subcommittee recommendations. Listed below are those elements in which there were changes from the recommendations written on the form or in which there were specific objections from certain members of the committee.

ECONOMIC DEVELOPMENT, International Development, Tokyo Office

Committee zeroed out.

HOUSING DEVELOPMENT, Veterans Loans, Vets' Loan Fund Administration

Reps. Warwick and Meekins objected to the subcommittee figure. Mr. Warwick moved a figure of \$3,737,000, which is taking subcommittee figures except in Contractual Services where the Governor's figure of \$106.1 thousand is taken instead. Motion carried.

ECONOMIC DEVELOPMENT, Arctic Development, Small Grain Incentive Program

Committee voted to zero out this program. (Reps. Ose and Meekins objected.)

ECONOMIC DEVELOPMENT, Promotion of Tourism

Committee voted to transfer to the Office of the Governor.

ECONOMIC DEVELOPMENT, , Promotion of Economic Enterprise

Committee zeroed out this program. (Reps. Meekins and Ose objected.)

ECONOMIC DEVELOPMENT, Administration & Support, Office of Commissioner

Committee voted to zero out. (Rep. Meekins objected.)

COMMUNITY DEVELOPMENT, Grants to Communities, Rural Development Asst.

Mr. Specking moved to reduce this figure to \$50 thousand. There was objection and motion failed. Mr. Haugen moved to zero it out altogether and on vote, the motion carried with Mr. Meekins and Mr. Warwick objecting.

Meeting adjourned at 8:15 p.m.

DOT

HOUSE FINANCE COMMITTEE

February 19, 1974

1:35 P.M.

PRESENT All members of the Committee except Mr. Meekins and Mr. Barber (Both arrived later in the meeting). The following people were present from the Department of Highways: Mr. Bruce Campbell, Commissioner; Mr. Tom Johnson, Administrative Director; and Mr. Bruce Freitag.

TRANSPORTATION Chairman Freeman called the meeting to order and said they were discussing the Transportation category of the budget. He turned the Chair over to Mr. Haugen, the Chairman of the sub-committee.

DEPT. OF HIGHWAYS Mr. Haugen asked Mr. Campbell to give an overview of his Department.

Administrative Budget Mr. Campbell stated that the Administrative budget was essentially a hold-the-line budget. It reflects increases of about 2.1% which will probably cover normal merit increases of employees and the normal inflation factors. There is no compensation for increased employee salaries.

He said there were 3 new positions requested in the Administrative budget.

In former years, he said the Administrative budget has had an increase in the range of one or two percent. He said that in effect, there was a decrease in the cash they had to spend each year.

Mr. Warwick said that general administrative costs run higher than actual programs. He wanted to know what they were doing.

Mr. Campbell said he found that when they have more work to do, if they cut people off the staff they get more done. Peoplewise, they are down about eight people in top administrative staff from the time he became Commissioner. He said they could probably still get the job done and cut more people.

Mr. Warwick asked if there was a pipeline impact for the administrative budget, and Mr. Campbell said no, they felt they could handle administration with the existing staff.

Mr. Haugen wanted to know the difference between administrative cost and what they got from gas tax revenues. Mr. Campbell said that gas tax revenues were approximately \$13 million and the administrative budget was \$5.3 million.

Mr. Campbell brought it to the Committee's attention that in addition to normal highway programs, this year they have picked up the administration of the service roads program. They have also formed a liason with the Land Use Planning Commission and provide one full-time staff member for them. They have been doing all of the road

review for ALYESKA. In addition, they have picked up more responsibilities within the administrative budget. The reason he said he was bringing all of this up was that he has asked a lot more of his people. There is much overtime with no monetary compensation. He wanted them to know there were some state employees giving a lot more of themselves.

[Mr. Barber arrived at this time.]

Mr. Warwick noted that they had requested \$224,000 and were given \$217,000 by the Governor. He asked Mr. Campbell to comment on that. Mr. Campbell replied he felt they could work with the budget they had been allowed.

Mr. Saylor said he was looking at the FY 73 lapse fund report. It said they lapsed \$515,000 in the Interior District. Mr. Campbell said that was in Maintenance. He said they were doing the best job they could for the money available. The year Mr. Saylor was talking about, he thought there was a little less severe winter than they had expected, so they had lapsed some money.

[Mr. Meekins arrived at this time.]

Mr. Johnson stated they wanted to keep a reserve. He thought they did that by freezing positions.

Mr. Saylor asked what they planned to lapse this year. Mr. Johnson said that it would probably be \$150,000 to \$180,000 in the Administrative budget.

Mr. Hogan pointed out that the three new positions had to do with input by the legislature to do additional auditing in the State.

Mr. Saylor noticed that they had originally asked for a deputy commissioner. He asked if Highways was one of the departments that didn't have one. Mr. Campbell said they had one. At the time they made the budget request, they weren't exactly sure what was going to happen. They anticipated they would be taking up a big portion of the North Slope road and that they would be monitoring the route. Since then it has worked out so that they can handle the workload as it comes to them.

Mr. Warwick asked whether the internal auditors were on board, and Mr. Johnson said they weren't.

Mr. Campbell said that we were now under the federal aid to highways program and the secondary road plan. The federal government doesn't audit them at all, they just check to see they are following procedures. (He said the Primary System was still approved and audited by the Federal Highway Administration, and required certification acceptance.) What it does is throw all the audit responsibilities on the State. He said there were advantages, but they do have to come up with the internal auditors.

Mainten-
ance
Budget

Mr. Campbell went on to speak about the Maintenance Budget. It was also essentially a hold-the-line budget. He said they would find it up 2.6% from last year, adequate to cover inflationary costs and normal merit increases of employees. There were six new positions in the budget, five permanent and one seasonal.

One area where they do have a little concern is in Commodities. In that area they have funded for a 5% inflationary increase. He went through a list of different inflationary increases including gas at 32% and diesel at 40%... He did this to give them an idea of the inflationary tendencies in the area of the Maintenance budget. He reminded them they were not budgeted to meet that kind of increase. If it should continue at those rates, they may have problems "down the road".

Mr. Ose asked if they were going to hold-the-line at present in the Mat-Su area. He had been out on some of those roads, and he said they weren't taken care of as they should be. There has been a lay-off of personnel and there has been no money to maintain them.

Mr. Campbell said they could effectuate any level of maintenance that the people of the State would require. However, somewhere there was performance on a reasonable level of maintenance, and there would be times when the road wouldn't be perfect, but that was the alternative to a 100% perfect maintenance system.

Mr. Ose said he wasn't talking about 100%, just 50%. He said letters had been sent to the Highways Dept. asking why. Mr. Campbell couldn't comment on that.

Mr. Ose said the letter had been signed by him, and it said there was just no money. Mr. Campbell didn't think he had made that statement.

There was further conversation between the two on this matter. Mr. Campbell said he couldn't comment on generalities and asked Mr. Ose to be specific and write essentially what his complaints were. Mr. Ose assured him that he would.

Mr. Ferguson noticed that on the Nome Auto Equipment Operator II, the Governor had allowed nothing. He asked why. Mr. Johnson replied that agency funds took care of it.

Mr. Ferguson asked what had been cut out of the western portion of the State's budget. Mr. Johnson said they had requested \$890,000 and received \$815,000. He imagined the cuts had been in Personal Services, equipment rental, commodities and contractual services. Mr. Ferguson said he would like to know what was asked for in the Governor's budget.

Mr. Barber asked about the Program on the Denali Highway. Mr. Campbell didn't have a copy of the Five-Year Plan with him, but he didn't recall anything in it on that. He added it was essentially a 90 to 120 day road.

Mr. Warwick said that in the overview of the budget it looked like the Governor had taken out about 5% and placed it into a contingency reserve and reduced all of the components by that much.

Mr. Campbell explained that on June 30, all funds lapse. When running a program as unpredictable as Maintenance, it is almost impossible to program funds and come out even. The only thing to do is keep reserves. When they keep them towards the beginning of the program, towards the end, they let them go. June 30 falls in the worst time of maintenance requirements. The period between May 1 and June 30 they are opening roads, maintaining roads, and getting roads back in-to shape and trying to keep a handle on funds at the same time. Because the department is spread over the whole state, their accounting process is about a month behind. What they are requesting now is that 5% of the maintenance funds lapse on August 31 instead of June 30. That takes the heat off on June 30.

Mr. Warwick referred to an article he had read by Joe LaRocca concerning the maintenance of the Livengood Haul Road, only he couldn't recall why they were maintaining it. Mr. Campbell said the maintenance they were doing wasn't much, but they had to do a minimum amount to protect their investment. They had to keep the drainage open and the ditches up. He said they had gotten the road as a result of a deal made in 1971. At that time they were looking to the start of the pipeline in the fall. They had done many things based on that assumption. The agreement says that after the road is complete, ALYESKA will reimburse the state for the costs of maintenance up until the time the pipeline starts. He said it did two things: 1) it took off for maintaining it at the State's cost and 2) it was an opportunity for the State to be in the area to decide where they want to be and where their camps should be.

Mr. Warwick asked whether they had reimbursed the State. Mr. Campbell said no, that it hadn't been much and the amount was pretty meager. Over three years, it was less than \$100,000.

Mr. Warwick asked if they were going to keep the Manley Road open. Mr. Campbell said they weren't because they had received a petition from all of the landowners there asking that it be kept closed.

Mr. Specking realized they had done a considerable amount of maintenance in Cordova/McCarthy and the whole thing in the South Central. He asked if they were going to be able to continue that sort of maintenance effort this year. Mr. Campbell replied that the plans were to complete the highway. However, they can't now because the Ninth Circuit Court in San Francisco has enjoined them from even maintaining the road as a result of a Sierra Club action.

Mr. Ose asked whether it was true or not that in the Palmer Maintenance area if a truck breaks down they have to call Anchorage because there isn't enough equipment in that area.

Mr. Campbell replied that the nature of construction equipment was such that if there was 80-85% availability, you were a hero. Palmer is one of the areas where availability is 85-90% of the time.

As long as they were talking about the road to Cordova, Mr. Warwick wanted to know how much they were going to spend. Mr. Campbell stated that in 1964 when the earthquake destroyed a lot of major railroads and since major railroad bridges had collapsed, the decision was made to build the road. This decision had been made before he was Commissioner, and when he came in, his people picked up where the former administration had left off. He explained it was a \$20-\$25 million project of which a substantial amount is federal earthquake funds.

Mr. Campbell went on to say that the project had changed a little. They had decided they weren't going to replace the million dollar bridge. They had also decided to go to a much lower standard of road. He said they could drive on all but about 25 miles of the road now.

Mr. Barber asked about federal funds for maintenance, and Mr. Campbell said they were all out of State funds.

Mr. Barber asked about the current picture regarding federal fund participation for new roads etc. Mr. Campbell said that we have the 1973 Highway Act projects for \$80 million for three years coming to the State of Alaska. However, this depends on the income coming into the Highway Trust Fund. The Gas shortage has reduced the revenues going into that fund, so it is possible that the \$80 million will go down to \$70 million or even \$60 million. The Federal Budget and Management people have impounded \$36 million of Alaska's funds under that program. He added that 95-5 is the theoretical match, but really it is 88-12 in practical match.

Mr. Barber asked what was happening with the federal picture this year. Mr. Campbell said that they have categorized funds so particularly in order to serve the mass transit areas of the U.S. As a result of this the big bulk of the money is going to New York, Houston, Boston... The State of Alaska has received \$3.7 million per year to use in places over 5,000 population--Ketchikan, Juneau, Sitka, Kenai Anchorage, and Fairbanks. Alaska is fat in the rural areas, but really hurting in the cities.

Mr. Barber asked whether construction of new ferries was affecting the highways in the state. Mr. Campbell said not really, they did serve a need, and all of the ferry routes were on the Federal Aid Highway System. Mr. Campbell admitted that if they didn't spend money on the ferries they would probably spend it on roads, but that they were still meeting all obligations they had under last year's five year highway program.

Mr. Meekins asked about the federal funds for the mass transit energy crisis.

Mr. Campbell explained that those funds were taken out of the trust fund and put into the major areas outside. Anchorage is not even on the list. If there aren't two million people in an urban area, they aren't interested in talking to you. Under the Federal Aid to Highway Act Alaska gets \$3.7 million per year. Right now they are spending \$16 million in Anchorage on 30th Avenue alone.

Mr. Meekins said that the press had been misleading when it talked about \$16 million in the trust fund. Mr. Campbell said that \$16 million for mass transit was made available, but it was set up in such a way that it only fit the larger urban areas in the U.S. Alaska gets zilch.

Mr. Warwick asked how much of what was allowable to Alaska was impounded. Mr. Campbell said \$36 million.

Mr. Warwick asked if they expected this to be released eventually. Mr. Campbell hoped it would be. Mr. Warwick asked if they would be reappropriated. Mr. Campbell said no, when they leave the impoundment state, he thought they would have to be allocated for what they had been set for in the Act.

Mr. Campbell said that the Missouri Appellate Court had won an impoundment case like ours. Right now we are a member of the Louisiana suit. If successful, we will get the funds.

Mr. Warwick asked what year we were in now. Mr. Campbell said the first year. \$20 million are a carry-over from last year. Of this year's apportionment, we got \$66 million out of the \$80. Last year's money can be changed from rural to urban projects since they are not restricted like this year's funds. Thus, they could use them to try and meet some of the city needs.

Mr. Campbell explained that the state had three highway systems: primary, secondary, and urban. Under the previous Highway Act the funds could be interchanged from urban, secondary, and primary. That Act is gone. Now the Act says rural primary and rural secondary and urban. Now the system says they can't take rural system funds and spend in the urban area. They only get \$3.7 million to solve things in the City. \$20 million of previous funds is still old money, so it can be used in the urban areas.

Mr. Warwick asked whether it was Congress intent to let mass transit take care of urban needs. Mr. Campbell said the intent was to put money in the States with the most members in Congress.

Mr. Warwick asked how they determined what was urban and what was rural. Mr. Campbell said it was done by percentage to such and such an area. The only reason we got the rural funds was because of Texas. If Texas wasn't there with such a huge area, we wouldn't have gotten them either.

Mr. Warwick asked if there would be any objection to giving us the money and letting us do with it what we want to. Mr. Campbell said yes, because they want the money out of the trust fund.

Mr. Warwick asked whether the congressional delegation was aware of that problem. Mr. Cambell said he had kept all three members aware of what happened and what could happen all of the time it was being sheparded through Congress. He had talked with them almost daily on the telephone. Again, that was only three votes.

Mr. Warwick asked what we could do. Mr. Campbell said secede!

Mr. Campbell said the only thing we have now is the Alaska Assistance Program which gives us \$20 million a year for three years. The reason he didn't mention this earlier was to impress that urban funds were what we had. The office of Budget and Management jumped on the Assistance fund. There is no pressure from any other State except Alaska.

Mr. Haugen asked what maintenance and administrative costs were compared to revenues. Mr. Campbell didn't have the report with him. As he recalled, there were \$13 million in revenues and \$23 million in maintenance.

Mr. Warwick asked the Department's position on studded tires. Mr. Campbell replied there was no question in anybody's mind that studded tires were tearing up the highways. His question was what are the offsetting benefits. Safety benefits were nebulous because you couldn't count accidents that didn't happen. The accident rate didn't decrease because of them, however. He noted that when Minnesota banned them, the accident rate went down.

There was much talk about the benefit of studded tires versus chains and vica versa.

Mr. Freeman asked whether Maintenance was all General Fund money. Mr. Campbell said yes, but there were a small amount of reimbursable funds from other departments outside State government--federal government, FAA, RCA...

Mr. Freeman noted that the Maintenance figure was \$17,690,000. He asked whether there were any earmarked funds involved in this left over from the old days. Mr. Campbell said that Gas Tax Funds went to the General Fund and were appropriated back out.

Debt
Service

Mr. Haugen asked about Debt Service. He asked whether that was only on their bonds or whether it included ASHA. Mr. Campbell said ASHA payments were all included in the Operating Budget.

Mr. Warwick noted that the Governor has submitted some bond proposals for highway maintenance camps along the Haul Road. He asked if they were needed.

Mr. Campbell said they weren't set up for this year.

Mr. Warwick wondered why they couldn't use ALYESKA facilities. Mr. Campbell said they hoped to, but they still had to have funds for purchasing.

Mr. Warwick asked the value of going through ASHA. Mr. Charney, Director of Budget and Management, said that Highway Maintenance situations have been financed by ASHA in prior years. They were just following the precedent.

As Mr. Freeman recalled, the Governor had a proposal for a \$16 million authorization for highway matching and bonds. He couldn't remember whether they had been sold or issued or what. He asked if they required the State to issue new match bonds.

Mr. Campbell said that two years ago they had gone for a two million issue forecast on a cash flow basis. The appropriation this year is \$28.5 million. That funds the remaining highway funds in the 73 Highway Act, \$246 million plus any 73 funds unmatched. It completely matches all federal funds available.

Mr. Charney said two years ago they averted to a cash basis. He would like to get back on the track of giving matching funding. Bonds are only sold on the basis of cash needs. He would like to have the authorization to show the federal government they do have match available. If they don't have authorized match for impounded funds, then if the Court suit does release them, and they aren't authorized, they won't get them. He said it would be better to get back on the track and have authorization to match all federal funds.

Mr. Freeman thought this year's request was about \$340 million. He asked whether, for somebody like him who was a little scared at this point, it was absolutely necessary to the Highway Program that they authorized the bond for match. Mr. Charney said it wasn't absolutely necessary, but it was highly desirable.

Mr. Campbell said that it was a three year program on the bonds. Some of them couldn't be sold for three years.

Mr. Freeman asked whether it would be unreasonable to wait one more year for the bond authorization in the hopes there would be more money available. Mr. Charney told him that would mean going to a special election because bond authorizations are only done every two years.

Mr. Campbell said that if that were appropriated, the only thing they requested was that Highways be able to build the kind of building necessary. What they need is a maintenance building which is essentially warm storage--just a metal building with lights, a concrete floor, a furnace, a toilet and running water. It was an off the shelf building, and not necessarily architecturally sound.

There was much discussion on this, and it was decided that it could probably be taken care of through Legislative intent.

Mr. Campbell said that the maintenance camps wouldn't all have an impact on the General Fund in the same year.

RECESS Meeting recessed at 3:10 P.M.

After Recess
3:22 p.m.

Mr. Haugen asked about the impact budget.

Commissioner Campbell said that the Department has just entered into a contract with ALEYSKA for 13.5 million dollars. In return for this ALEYSKA will be permitted to hang their pipe on the Yukon Bridge which will be constructed and will provide for inspection and the impact of special maintenance.

He said that at this point they really don't feel able to break the \$13.5 million into code units, but he assured the committee that it will be spent very judiciously once ALEYSKA's plans become more certain. He said that \$9 million of the money will be used on construction of the bridge itself, and the other \$4.5 million will be for special roads, inspections and maintenance. This money shows up in the receivable section of the amendment to their impact budget.

Mr. Hogan asked if in the impact budget the surveillance program is going to go by revised program, and Mr. Campbell said that it is but it cannot be broken down until there is a firm schedule from ALEYSKA. He said that it would be futile to attempt to do so before that time. Mr. Hogan asked if an agreement has been signed with ALEYSKA and Mr. Campbell said yes - that actually there were four agreements. Mr. Hogan requested copies. Mr. Campbell expressed his feeling that what is really important in this agreement is that the state is getting income enough from ALEYSKA to cover the additional cost of the bridge necessitated by the pipe being hung, the special maintenance and necessary inspections.

In response to questioning by Mr. Freeman, Mr. Campbell said that the \$13.5 million does not show up the governor's impact budget, as the agreement was not worked out in time, but shows in the department's revised impact budget.

Meeting adjourned at 3:40 p.m.

HOUSE FINANCE COMMITTEE
Wednesday, February 20, 1974
9:30 a.m.

Present: All members were present with the exception of the Chairman, who represented the committee on the floor, and Reps. Meekins and Ferguson. Also present from the Department of Public Works were Commissioner George Easley, Administrative Director Tracy Kaldor, Capt. Herbert J. Lockert, Director of the Division of Marine Transportation, Carl Mathisen, Deputy Director of Marine Transportation, and Doug Burton, Traffic Manager for Marine Transportation. Present, too, were Budget and Management personnel.

Vice-Chairman Haugen called the meeting to order in the absence of Chairman Freeman who left to represent the committee on the floor while the House was in session.

TRANSPORTATION

PUBLIC
WORKS

Mr. Haugen explained that the committee was going to do an overview of the Transportation portion of the Department of Public Works budget. He requested Commissioner Easley to give a brief statement about the budget.

Commissioner Easley said that their maintenance costs are up considerably. The Division of Aviation will accommodate additional airports built last year and the Division of Marine Transportation will accommodate two new vessels. In capital improvements, they have programmed substantial improvements to the Marine Highway system over a five year period. The Governor has introduced a bill for bonding programs for improvements in buildings statewide. Regarding contracts, he said that it is their intent to proceed on their existing contracts until competition with the Pipeline is too much and construction has to cease. Regarding the overall administration of their budget, he said that the headquarters staff remains the same. There is a 5.7% increase over last year for the administration of Public Works. Those increases are minor as compared with the overall maintenance increases.

Admin.

Mr. Kaldor was asked to go through the budget with the committee. Beginning with Administration, Mr. Kaldor said that Administration furnishes support to all the operating divisions. Their budget is down this year because five positions are being transferred to the Division of Buildings. The only increases they have are minor: a couple thousand dollars in travel, a 35% increase in contractual services due to a rent increase, an increase in communications, and four or five new pieces of equipment. The overall budget decrease for Administration is \$24,000.

In response to questioning by Mr. Warwick, Mr. Kaldor said that the Division of Buildings is in the general government category

and that this came about when the budget units were set up. Administration, Marine Transportation, and Aviation were put in one category (Transportation); Building and Communications were put in another (General Government); and Waters and Harbors were put in still another category (Development); and so the Department of Public Works is divided into three categories. Mr. Kaldor noted that this was an Administration decision, and not the department's.

Mr. Meekins came in.

Mr. Warwick asked about the transfer of the 5 positions to the Division of Buildings. Mr. Kaldor said that these are the people who do the accounting for that division and so they were transferred to be closer to the Division they are working with. Mr. Easley said that some years ago the Department decided to put all accounting personnel together, thinking that that would provide some continuity. This move will put them back in closer touch with the division again. Mr. Warwick asked if they will be doing the same work and Mr. Easley said yes.

Mr. Haugen asked about the rent increase and Mr. Kaldor said that it is due to an increase in Juneau in the Sommers Building. On one floor the rent is increasing from 39¢ per square foot to 52¢ per square foot; on another floor it is going from 60¢ to 75¢; and storage is going from 10¢ to 15¢. This is an increase of over \$800 monthly.

Mr. Haugen asked if the Division of Buildings is moving into the Assembly Building, and Mr. Kaldor said yes, on the second floor.

Mr. Warwick asked about the Arthur Anderson report. Mr. Easley said that that is a paper study that was done, and they lost three positions because of it. Asked for further explanation, Mr. Easley said that the report recommended a change in the way they handle vouchers. Their new method will speed it up and take less personnel. However, Mr. Easley had considerable reservations about it.

Marine
Transportation Going on to the Division of Marine Transportation, Mr. Easley said that the Marine Transportation budget as originally submitted was for \$19,556,500. This was submitted in September before the fuel costs had gone up. Their present request is for \$24,784,600 which is primarily due to these rising fuel costs.

Mr. Meekins asked about the difference in fuel costs in Seattle and in Skagway. Commissioner Easley said that in Skagway they have a contract with Standard Oil and they are paying around \$4 as opposed to \$12 in Seattle, where they have no contract. Speaking of the fuel problems we are all now being faced with, Commissioner Easley noted that it will be further complicated by the fact that the military has now laid a requirement on TESORO for 1 million barrels of oil. He said that for this

reason among others, he feels it is unrealistic to think that oil prices are going to be reduced.

Mr. Mathisen was asked to go through the Marine Transportation budget.

For Administrative Support, Mr. Mathisen said that they have asked for an inflation increase. He said that they do have some new positions in this budget -- a terminal manger in Petersburg, which is a position presently held by contract; an assistant storekeeper due to more use of the Auke Bay terminal in Juneau; and a temporary position in Skagway for 6 months of the year.

Mr. Mathisen said that there is a \$40,000 jump shown in contractual services. He said that they have new terminals this year and there are increased costs going along with those.

In Southeast Vessels, Mr. Mathisen said that the biggest increase is in Personal Services, primarily because of the COLUMBIA and LeCONTE. The Contractual Services increase reflects the age of the other vessels (10 years). The Commodities increase reflects the oil price increase. The Equipment increase is mainly due to requirements of environmental regulations, 2/3 of that being for bilgewater separators.

In response to questioning by Mr. Specking concerning the environmental regulations, Mr. Easley said that right now they are not being enforced by the Coast Guard because they do not have them themselves, but that he anticipates when they do have their boats in conformance with the regulations they will start "cracking down".

Mr. Haugen noted the high increase in wages and benefits in this section.

Mr. Haugen asked about the deadhead programs. Mr. Easley said that the current policy is not to provide crew with transportation for crew to and from their runs. It's up to them to get themselves there.

There was discussion on the condition of the older vessels in operation. Mr. Easley stated that the hulls are still quite good, and he is very pleased about that. Mr. Mathisen said that the boats engineer is getting concerned about some of the bearings. He reminded the committee that after 10 years of service, the necessity of additional maintenance is to be expected.

Speaking of the fuel increase and its impact on the ferry system, Mr. Mathisen said that fuel prices have increased 150% since

December 25.

In response to questioning by Mr. Warwick on the fuel crisis, Commissioner Easley said that because of being transportation, the Marine Highway System is high on the priority list for fuel, but said that that is no guarantee that they will have fuel if the situation worsens.

Mr. Warwick asked if the system is an efficient means of transportation and Mr. Easley said yes.

Mr. Warwick referred back to the conversation concerning the differing costs of fuel paid by the state in Seattle and Skagway, and Mr. Mathisen noted that their boat engineer has said that they may be raised in Skagway, too. The Skagway contract expires June 1.

Mr. Warwick asked why bunker oil is more expensive and Mr. Mathisen said because it is in shorter supply.

There was considerably more discussion on the fuel shortage, contracts for oil and whether they will be kept or not; the committee expressed a great deal of concern in this area.

Going on to Southeast Region Shore Facilities, Mr. Mathisen said that the largest increase in this section is in Contractual Services. A survey of the docks and pilings in Southeast has been completed and the increase will cover needed repairs and replacements. There are also three new positions.

In the Southwest Region, Vessel Operations, Mr. Mathisen said increases are due primarily to increased wages and benefits in Personal Services and increased fuel costs in Commodities. The committee expressed some amazement at the \$443,900 increase in wages and benefits and Mr. Mathisen said that that is union negotiated.

Mr. Specking asked where fuel is bought for the Southwest operations and he was answered TESORO.

In the Southwest Region, Shore Facilities, Mr. Mathisen said that the big increase is again in contractual services and it is for maintenance for the docks in the area.

Returning again to the Vessel Operations in the Southwest area, Mr. Warwick questioned the great wage and benefits increase. Mr. Easley said that as far as benefits go, they have to go right along blindly with the PMA. The vacation time has tripled, Mr. Mathisen said. This is to make ferry personnel equitable to classified personnel. After further discussion on how the

vacation time is figured for the union personnel and the classified personnel, and how they compare, Mr. Easley said that after 15 years of service, the ferry employee gets one more week than the classified.

Mr. Warwick asked about the FICA increase and Mr. Mathisen said that last year they had budgeted too low for this. After much discussion, Mr. Charney explained that this year they have done a better job of budgeting and this is reflected in the increase; it is not, in fact, such an increase. Mr. Warwick still felt that this would not make up for the increase from \$22000 to \$43000. He figured up 5.85% of all the salaries and came out with a lower figure. Mr. Charney explained, however, that FICA is not only paid on the straight salary but on penalty time, overtime, vacations, etcetera.

Speaking about the accumulated time that is built up by the engineers and such personnel as part of the PMA, Mr. Easley said that they accumulate 1/2 day for every day they spend at sea.

In response to questioning, Mr. Easley explained that in Southeast Operations, they have a two crew system. In Southwest Operations they have only one crew.

There was still more discussion on the benefits that the union people receive and the fact that the Operations budget in the S.W. is 80% personal services. Mr. Haugen expressed the fear that the public is going to tire of constantly increasing wage and benefits to greatly and that this will eventually cause some of the bond issues for the system to fail. Mr. Easley agreed, but said this is the same thing that is happening with construction. The problem is, too, if the benefits aren't increased they wouldn't have the personnel they need to operate, and it is a closed shop so they can't look outside the union.

The Aleutian Subsidy was next discussed. Mr. Haugen asked who has that subsidy now, and Mr. Mathisen said SORIANO has just bought it. He said that this goes from Seattle out to the Chain.

In Advertising Promotion, Commissioner Easley said that the Division of Marine Transportation works closely with the Tourism Division advertising program and this arrangement seems to work best.

Mr. Specking said that he seems to him in this fuel short era it is not appropriate to be advertising to bring numbers of people up to Alaska who will be consuming oil when we are already experiencing a shortage.

Turning to the capital budget, Mr. Haugen asked the Commissioner to tell the committee about their stretch-out program.

Commissioner Easley said that Marine Transportation made a request of the Department of Highways based on a recently changed law which would provide for use of federal Aid to Highways funds by ferry systems. They are asking for some of these monies and the request is currently pending before the Highway Department. They have indicated that they want to fund over a five or six year program. The first project would be lengthening of the MATANUSKA. The balance of the program has not yet been determined. Mr. Easley said that he got the distinct impression that about \$5 million out of the Highway Fund could be available. He said that the stretchout of the MATANUSKA will cost more than \$5 million but that Commissioner Campbell of the Department of Highways said that they would be able to fund the rest out of this year's appropriation.

Mr. Specking expressed concern about what will happen to roads and projects that might otherwise have been taken care of with this \$5 million.

Commissioner Easley said that when they passed the 1973 Highway Act it included \$23 million extra assistance funds for a three year program and that is the source of this money. The Highway Department is administering the money so the choice of projects is theirs. This will be about \$20 million for a three year period, or a \$60 million total. Mr. Haugen asked if this is where they are talking about getting the money to build a road to Rodman Bay. Mr. Charney said that he thought that was a part of the regular system. Mr. Easley didn't seem to know. Mr. Haugen said that this would save the ferry having to go into Sitka and he felt that this would be a better plan.

Mr. Haugen requested a rundown on increase in revenue on the MALASPINA since her stretchout. Commissioner Easley said that the MALASPINA has brought in \$1 million over any other vessel in the fleet. However, he noted that she has been on the Seattle run so the winter traffic would be heavier, anyway. Even so, however, he felt that it has proven to be extremely popular; and he feels it was one of the most successful things they have ever attempted.

Mr. Barber asked how many stretchouts have been done, and Mr. Easley said two. They have two more major ships to go.

Returning to the subject of building a road to Rodman Bay, Mr. Warwick asked what kind of estimates they have on the cost of that road. Mr. Haugen said that at one time the estimate was \$35 million but he said that he is sure now it would be \$50 million plus.

Mr. Specking felt that it would make sense to build that road and save on the ferry run.

Mr. Haugen mentioned that the new government head in British Columbia does not appear to be as concerned with cooperating with the state in the Marine Highway system as was the former one. Commissioner Easley said that formerly, most of the freight coming to the state came through Prince Rupert. As a consequence of Seattle's increased use as a port Prince Rupert is losing its advantage as a port of call. This has become more pronounced, particularly this winter.

There was again extended discussion on the benefits received by some of the ferry personnel, specifically the engineers. Working out the various benefits, Mr. Warwick figured that they work 30 days and then get off approximately 22 days. He asked about holidays, and Mr. Easley said that if they are at sea they get another day accumulated leave. Mr. Warwick asked if when the people have a great deal of accumulated leave and vacation time, if they then take extended vacations and Mr. Easley said that some of them do. There is a problem, however, inasmuch as replacements are very difficult and sometimes they cannot allow them to take these vacations. Then, if the people want to be paid in cash for that time the state must pay them.

Mr. Warwick asked about the engineers' health and welfare coverage, and Mr. Easley said that it is 100% coverage. The state makes contributions to the MEBA trustees. Benefits are the same nationwide. This is not a negotiable item.

Meeting recessed at 11:45 a.m.

After Recess

1:35 p.m.

Present: All members were present with the exception of Representatives Meekins, Saylor, and Ferguson. Also present were Commissioner Easley of the Department of Public Works, Ed Granger, Director of the Division of Aviation, Jim Amos, Deputy Director of Aviation, and Mr. Neesham, Director of Airport Operations. Present, too, was Joe LaRocca.

TRANSPORTATION The meeting was called back to order at 1:35, with Mr. Haugen,
PUBLIC WORKS- subcommittee chairman, presiding. Mr. Haugen requested
AVIATION the Commissioner to proceed with the budget review.

Summary Commissioner Easley said that there are basically three components of the Division of Aviation: Anchorage International Airport, Fairbanks International Airport, and Trunk and Secondary Airports.

Major changes in those areas are as follows:

In the Anchorage International Airport budget, there are two major areas of change. One is for firefighter guards, in keeping with the FAA requirements. The other is for additional custodians due to the four additional buildings in the airport. Overall there is a less than 5% increase.

In the Fairbanks International Airport, major changes are for firefighter guards to meet federal regulations (these positions will also provide maintenance) and addition of two Auto Equipment Operators, funds for rental of snow removal equipment, and a new Auto Mechanic.

The greatest increase is in Trunk and Secondary Airports due to FAA requirements.

Anch. Int.
Security Mr. Easley introduced Division of Aviation Director Ed Granger and asked him to explain his budget further. Mr. Granger said that the major increase in positions for the Anchorage International Airport centered around the firefighter guard positions as required by the FAA. He said that they were initially authorized 15 positions and these were to be funded under program receipts. They wish to have these established now within their budget as permanent positions. They will still secure the revenue from reimbursable for these services and they will be able to decrease positions down to 13. These positions are the major portion of the new positions being requested. The positions are already filled and there is no way that they can get out from underneath these obligations, because these are

the requirements they have to meet in order to maintain the airport or else the airport will be closed by the FAA. How the funding continues is the matter under consideration, but he emphasized that the positions are not a matter to be under consideration. The Division would prefer taking the monies out of their program receipts and making them permanent positions. They see no reduction of these requirements in sight.

Mr. Specking asked how the program receipts total out as compared with what is spent. Mr. Granger said that the CAB authorized airlines to charge 25¢ a ticket in order to offset the cost of security guards. This 25¢ has proven grossly insufficient in Alaska. Cost of maintaining these guards has been about 60¢ per ticket in some places so the state is billing the airlines for its true cost on this. (Authority is provided for the Division to do this.) The airlines are now turning to the CAB to get authorization to increase the per ticket charge over 25¢ to recoup their expenses.

Mr. Specking asked how the state stands on collections. Mr. Granger said actually they are doing very well, with one exception -- that being Alaska Airlines. Mr. Warwick asked how much they owe and Mr. Granger answered \$50 or \$60,000.

Mr. Amos said that the problem is that the FAA in the act setting up these requirements stated that airport operators could recoup their direct cost from the airlines. However, they do not control airlines -- the CAB does. The CAB on petition from three of the large airlines authorized this 25¢ coupon charge in order that the airlines would not suffer the cost. Some airlines in the country are actually making money on this -- those being airlines with large operations, large planes and full loads. Some of these have their actual cost down to 7¢ per ticket. In Alaska, however, the opposite is true -- we do not have the large planes or number of passengers. One of the recommendations that has been made is to pool the 25¢ charges all over the country and then distribute as needed. Other ideas are also being considered.

Mr. Granger noted that at all airports in the state except the two international airports, the average number of people per flight is only 5 or 6, so obviously the 25¢ charge will not cover the expense. However, regardless of what happens, the state will not be financially hurt.

Mr. Barber asked about the status of the debt Alaska Airlines owes the State of Alaska now, and Mr. Easley said that that note is down from the original \$100,000 to about \$80,000, so the situation has improved. Mr. Granger noted that ever since Commissioner Easley gave authority to the Division to file suit against the airline, they have been paying.

ld
Maintenance

Going on to Field Maintenance. Mr. Amos said that they are adding considerable additional airport parking and so they require additional maintenance. They also have additional roads. The FAA regulations require that they have two electricians at any time they are on the field in the event of an accident. Having only one man is an FAA Violation. These are the reasons for the new positions. Speaking again of the electricians, Mr. Granger said that they have 7 electricians now in Anchorage, and with two men on at a time this does not quite give 24 hour shift coverage and they feel that they need it.

Four positions in Field Maintenance have been transferred to the Highway Working Capital Fund. Mr. Warwick asked why. Mr. Easley said that this is a consolidation so there is only one group of mechanics. Mr. Amos stated that they have several pieces of sophisticated fire equipment not belonging to the Highways fund, but in order to get them maintained the Division will have to contract with Highways. In response to further questioning Mr. Granger said that they will have the same number of mechanics as they had before.

Building
Maintenance

Mr. Haugen asked if the Building Maintenance budget includes custodians and Mr. Granger said no. That is a separate category.

Mr. Freeman asked why they need new maintenance men (there are two new positions in this element). Mr. Easley said that is because they have four new buildings and this is just a matter of needing new people. Mr. Freeman asked if that is the reason for the Commodities increase also and Mr. Easley said yes.

In response to questioning by Mr. Freeman, Mr. Easley said that the Anchorage International Airport Fund, which includes Anchorage and Fairbanks is now standing with approximately \$25 million in revenue bonds. Coverage of those bonds is required by law to be \$1.3 net revenue over debt service. They are now standing at \$2.64 million. Coverage is excellent. They have a \$15 million capacity. They have asked this year for an additional \$3.6 million in bonding.

Mr. Barber asked what the relative position of Anchorage and Fairbanks is as far as revenues go, and Mr. Easley said about 3 to 1. Mr. Barber asked if Fairbanks is "making it" now, and Mr. Easley said not quite, but almost.

port
Mr. Freeman asked if the Anchorage Air/ isn't subsidizing the Fairbanks Airport at this time and Mr. Granger said yes.

Mr. Warwick asked where the debt service on these bonds is. Mr. Easley said that that is a separate BRU. Mr. Warwick asked if that means these figures are minus the debt service and so

speaking of the loss at Fairbanks, in order to get the actual figure the debt service would have to be added on. Mr. Easley said yes.

Mr. Hogan asked how many firefighter guards there are in Anchorage. Mr. Easley said 82. Mr. Hogan asked if it is accurate that the budget request was for 11, and Mr. Easley said yes. Mr. Hogan said that there has been some confusion as to the numbers. A total of 19 were originally requested and that was scaled down so the budget as submitted was for 11 new firefighter guards in Anchorage and three in Fairbanks. He asked if that was correct and Mr. Easley said yes.

Mr. Barber asked what the current status of the North South runway in Anchorage is. Mr. Easley said that a hearing has been held and they are now answering all the questions that were asked at the hearing as required by law and are drafting an environmental impact statement. It will be delivered to the FAA around June. He said that he expects a motion will be made in federal court soon thereafter to enjoin and that will take several months to take care of. If all goes well, they hope to begin in October.

Custodial

In Custodial, Mr. Specking asked about the seven new positions to perform carpet maintenance. Mr. Granger said that this maintenance has been under contract with Dow Chemical, and he stated that they have been very good to work with. However, the contract is expiring and a new contract would take \$85,000, and he said that he thinks the state can handle this itself for less.

Admin.

In Administration, Mr. Freeman noted that they are requesting one new position but their personal services are up about \$38,000. He wanted to know why. Mr. Granger said that there was an Operations Officer position transferred from the Fairbanks International Airport and that accounts for \$24,000. As to the rest, Mr. Easley said that the reason is that last year the legislature did not fully fund all the positions and took a vacancy factor and so the figure given for the 1974 authorized is not reflective of their true costs. Mr. Warwick inquired further about the vacancy and turnover. Mr. Charney said that he had thought Budget Review had worked out with the Legislature an agreement through a special section of the appropriation bill in which they reserved a certain amount for vacancy and turnover. He said that Budget Review had objected to a forced vacancy; vacancy is a fair control but forced vacancy is a bad thing if a department or division is in a position of being able to fill all their positions. However, last year the Senate Finance Committee took this forced vacancy and did not fully fund positions so that in those cases where the Senate figure was adopted, the 1974 authorization is not reflective of actual costs.

At this time Commissioner Easley introduced Mr. Neil Taggart, who will be the new Commissioner of Public Works when Mr. Easley leaves.

Fairbanks
Intntl

Going on to the Fairbanks International Budget, Mr. Easley said that Fairbanks is established in the budget in much the same fashion as Anchorage.

Mr. Granger said that most of the increase in Fairbanks is in anticipation of the activity that will transpire and has already really hit because of the Pipeline. He mentioned the contracts to air carriers as far as travel to the North Slope is concerned and said that this has already upped maintenance needs.

Mr. Freeman noted that Fairbanks has not been able to pay its own way in the past, but that its future is much brighter. He asked what the situation is with regard to landing fees. He wondered if they might be upped to improve the financial status of the Airport.

Mr. Easley said that this is a real basic philosophical or political question. The real difficulty in both Anchorage and Fairbanks is that they have probably the lowest landing fee structure in the country and so because of that Anchorage has 19 international carriers which it would not have if fees were higher, more than likely. The fuel in Anchorage is cheaper than in Fairbanks, and that is probably the only reason that Fairbanks has only one international carrier. However, he noted that Fairbanks paid its own way in 1970 and he expects it to be in the black in 1974.

Joe La Rocca left about this time.

Mr. Freeman noted that as far as pipeline-related flights go, they really have to use the Fairbanks Airport. He asked Mr. Easley if he feels that even without an increase in fees the Airport will make out ok by virtue of the increased traffic, and Mr. Easley said yes.

Mr. Barber asked what effect the fuel shortage will have on Anchorage and Fairbanks International Airports. Mr. Easley said that they were nervous about revenues particularly on bond coverage, but they have found that although the number of flights is down, the revenues are up. Larger aircraft are being used.

Field Maint. Mr. Barber asked if there is any indication that they will fall short in their fuel, and Mr. Easley said that they have been able to keep pretty well supplied. However, he said that there is no guarantee that this would continue should the situation get worse.

In Field Maintenance, Mr. Granger said that the Field Maintenance positions requested here are to augment the existing force because of the increased activity in Fairbanks. They are building additional

apron space at Fairbanks which means more snow removal has to be undertaken. These positions will take care of that need as well as the increased maintenance needs brought about by the increase in North Slope traffic.

Mr. Easley mentioned in addition the heavy aircraft apron which was made in anticipation of the Pipeline.

Mr. Freeman asked again about the discrepancy in last year's authorized, and Mr. Charney said that this again is due to the misleading budgeting last year due to vacancy. It also reflects actual costs of positions. He stated that in these budgets, the personal services figures are made up of the actual people filling those positions, so there can be increases due to merit increases or decreases due to new hires at lower steps.

Mr. Freeman noted the increase in contractual services and asked why. Mr. Amos said that a good portion of that is due to the increase in Golden Valley Association Electrical rates. The rates went up 15 to 20%.

In Security, Mr. Hogan said that the Committee's records show that four new positions for Firefighter Guards were approved by RP74-12 and yet the position information from Budget and Management showed 45 authorized positions for the current year and 50 for next. Mr. Granger said that they have requested one position in addition to the four approved by RP 74-12.

In response to questioning by Mr. Warwick, Mr. Easley explained that the Firefighter Guards perform both a security function and a maintenance function.

Custodial There were no questions on Custodial.

In Administration, Mr. Granger explained that the decrease reflects the transfer of an Operations Officer to the Anchorage International Airport.

Turning next to Trunk and Secondary Airports, Comm. Easley introduced Mr. John Nesheim, Supt. of Airport Operations.

Mr. Easley said that basically the difference in this budget is in keeping with certification requirements of the FAA. They again have created operator-firefighter positions, which positions have the dual capacity of maintenance of the airport and fire and rescue. That is the basic difference, he said, along with the obvious increases due to new airports.

Mr. Granger said that in the trunk and secondary airports they have a different case. Not too many years ago they were faced

Security

Custodial

Administration

Trunk and
Secondary
Airports

with the problem of scheduled air carriers expanding their use of higher performance aircraft into the bush areas where the airports are minimally adequate. This has resulted in a need for a great deal of additional maintenance. He mentioned the Birchwood Area, where the activity has grown so that they now need someone full-time. Last summer ~~he said~~ there were 80 planes there as opposed to 6 to 8 before. There are several other airports in that same position.

Mr. Haugen asked if Alaska Airlines pays a landing fee to the airport in Petersburg, and he was answered no. Mr. Easley said that about seven years ago the question came up and air carriers recommended to the legislature to increase the fuel tax in lieu of landing fees. He said that to his knowledge, the fuel tax has not been increased since 67 or 68. He stated that municipal airports collect their own landing fees. He stated that Joe Henri, Commissioner of Administration, met with the air carriers this year on the subject of increasing the tax. However, at approximately the same time, the gas shortage occurred and so it seemed less than an opportune time to do so.

Mr. Freeman asked if the municipal airports would be more inclined to favor increasing landing fees as compared to increasing the fuel tax. Mr. Easley said that all of the municipal airports in the past two years have raised their landing fees and all the airports like Juneau, Ketchikan, Sitka and Kenai have been just about breaking even. He said that he thought they would probably be in favor of a tax increase for obvious reasons.

Maintenance &
Operations

In Maintenance and Operations, Mr. Warwick noted that the FAA regulations are being complied with in some of the airports and not in others and he wondered if the FAA is giving the state lead time to lead into this. Mr. Easley said that they have airports now on waiver with the FAA as they have provided the FAA with a schedule for development and fulfillment of requirements. He noted that FAA is a heavy contributor to most of the funds -- about 93%.

Admin.

Going on to Administration, Mr. Warwick noted that there is considerable increase and asked if this is due to the FAA requirements. Mr. Easley said that it is not necessarily due to that but relates more to the tremendous increase percentagewise in airports. The activity in airports has increased and this requires additional people to supervise and to keep track of money and supplies.

Mr. Warwick asked if they have an impact budget and Mr. Easley said yes. Mr. Warwick felt there was quite a bit in their budget that is Pipeline related, and Mr. Easley said that traffic has increased already due to the pipeline and they have to gear up to meet the need. He said that as a part of the Pipeline projects, Aleyska will be constructing three new airports which they will turn over