

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2560

over to the state who will then contract out to ALEYSKA for the maintenance at a token cost of \$10 per year.

Mr. Warwick asked what the purpose of this is, and Mr. Easley said so that they would be public airports and open to the public. Otherwise considerable problems could develop.

Mr. Warwick asked if the state will charge landing fees, and Mr. Granger said only at Deadhorse. Mr. Warwick asked why not at the other airports, and Mr. Granger said they would prefer increasing the fuel tax to charging a landing fee because of the complications in keeping track of those.

Admin. &  
Support

In Administration and Support, under Planning, Mr. Easley said that this is basically a maintenance budget -- a 5% increase.

In General Design, Mr. Easley said that this is essentially the same as planning -- a maintenance budget. There are no personnel increases, and the overall budget shows a slight decrease.

In Engineering Support there is a slight decrease, Mr. Easley said.

Administration shows an increase of four positions, two of these having been established by Revised Program 74-15. Mr. Granger said that the third was established by "program change." He explained that what was going on here is that the capital budget increase last year there was a tremendous workload increase and so they did some reorganization within the Division of Aviation, resulting in these positions.

Meeting recessed at 3:10 p.m.

AFTER RECESS  
March 18, 1974  
Monday  
7:15 p.m.

Present: Committee members Oral Freeman, Ernie Haugen, Andy Warwick, Bud Saylor, Keith Specking. Also present was Jay Hogan, Director, Legislative Finance.

TRANSPOR-  
TATION ✓

Representative Freeman, Chairman, called the meeting to order; the purpose of the meeting was full committee consideration of the program category "Transportation" for the FY 75 budget.

The full committee tentatively accepted those figures which were recommended by the subcommittee on Transportation (Warwick and Haugen). Explanations for the figures and positions tentatively accepted during this meeting are to be prepared on the House Rule Print-out.

Representative Haugen requested that Mr. Hogan look into the road maintenance for the old Glacier Highway in Juneau which will run parallel to the new Glacier Expressway. Rep. Haugen wished to know if this will be maintained as a local service road by the city and borough.

Representative Haugen also suggested that during the interim following this session, the contractual figures in the administrative areas should be examined thoroughly. All departmental reports are done through Contractual Services; by paring down some of those reports, it may be possible to save a great deal of money in Contractual Services.

For all tentative figures in this program category, and for all comments regarding those figures and positions allowed and disallowed, see the House Rule Print-out.

Adjourn: The Committee adjourned at 8:40 p.m.

GEN

GOVT

HOUSE FINANCE COMMITTEE

February 18, 1974

2:20 P.M.

PRESENT All members of the Committee except Representative Meekins. Mr. Mike Peterson, Deputy Attorney General, and Mr. Bob Schroeder, Legal Administrator, were present from the Department of Law.

GENERAL GOVERNMENT Chairman Freeman said they were discussing the General Government category of the budget, and turned the Chair over to Mr. Saylor.

Mr. Saylor requested Mr. Peterson to begin his presentation.

DEPT.

OF LAW

Legal Services

Mr. Peterson gave a brief overview of the Legal Services BRU. He said it was characterized by civil litigation and service as opposed to the prosecution function. Particularly, civil functions consist of the fact they: represent the State in all civil actions in which the State is a party; furnish legal opinions to the Governor, legislature, and all State offices and departments; render legal advice on a law, proposed law, or proposed legislative measure upon request by the Legislature or a member of the Legislature; draft legal instruments for the State; bring, prosecute and defend all necessary and proper actions in the name of the State for the collection of revenue; prepare an annual report to the Legislature which is delivered to the Governor --it is on the works and expenditures of the Department and on needed legislation or amendments to existing laws; & will perform all duties required by law or which pertain to the office of Attorney General in a state.

Mr. Peterson said they currently have 38 attorneys located in Juneau, Fairbanks, and Anchorage. He said that at the beginning of 1973 they had approximately 3,000 cases pending, and at the end of FY 73, they had 3,300 cases pending.

The maintenance figure is \$1,979,400. The changes they are proposing in their budget is an Attorney V with a legal secretary in Anchorage to provide services to State-Operated Schools on a contractual basis. The third position is another Assistant Attorney General in Anchorage to meet post Land Claims problems. the fourth is an attorney to handle litigation and direct the Uniform Reciprocal Enforcement of Support Act Program. They request an investigator and two clerical personnel to support him. That is a total of seven new position requests, of which 3 would be attorneys.

Another addition is \$200,000 for a Natural Gas Study. The concept is largely that they will be enabled to have a highly specialized group that can concentrate on problems in a necessary amount of time.

He said there were miscellaneous items he wouldn't go into.

Under their pipeline impact budget, they are asking \$184,600, basically for five new positions--three attorneys and two secretaries. One is an attorney and secretary in Anchorage with the responsibility to work with the Alaska Transportation Commission. He explained there was currently an attorney working with the Public Utilities Commission and the Transportation Commission, but the workload is such with the pipeline development that he is unable to divide his time as he used to.

The second is an attorney in Valdez to support and handle problems there.

The third is an attorney and a legal secretary in Fairbanks to handle problems there.

He explained that attorneys only have so much time and the pipeline was bring new people and causing new litigation and problems. If they were to deal with them with the staff they have now, they would have to curtail the work they are doing on standard problems.

Mr. Haugen noted there were 38 attorneys and only 3,000 pending state-involved cases.

Mr. Peterson admitted that was about 75 cases per person, he pointed out that some of the minor cases took about 50 to 75 hours when all that was involved was paperwork.

Mr. Haugen said that for years they have been trying to get an attorney for the Department of Fish and Game, and they keep getting resistance from the Attorney General's Office.

Mr. Peterson said that Mr. Marcum from Anchorage was currently the attorney for the Fish and Game Board. He pointed out that many of the departments and agencies feel they need the services of a full time attorney.

Mr. Haugen said that even if the Legislature approved an attorney for a specific department, he still ended up working on the fourth floor of the Capitol Building. He said that Fish and Game needed somebody down there on a day to day basis to work right with the Department.

Mr. Freeman wanted to talk about the \$200,000 grant for the Natural Gas Study. I thought it was curious that the study wasn't in the Department of Natural Resources budget instead of theirs.

Mr. Peterson explained that it was a matter of who directed the study. It was to be used as a basis for writing proposed legislation.

Mr. Freeman still thought the money was misplaced if it was in the Department of Law budget. Mr. Peterson said there were legal issues involved in the study.

Mr. Barber concurred with Mr. Freeman. He had never heard of a legal office undertaking a study in the gas business.

Mr. Peterson pointed out that the Limited Entry Study was done out of their office, and the result of it was the proposed legislation on that subject.

Mr. Barber commented that this gas development study was the same thing as Hartig's bill--only Hartig contemplated having the Commissioner handling it.

Mr. Haugen referred to page 737 in the budget book, subsection 380 for Professional Fees and Services. The FY 74 authorized was \$324,200. Maintenance was \$191,600 and the request is \$192,400. He asked the reason for the difference between the 74 authorized and the 75 request.

Mr. Schroeder replied that it took into the budget the fiscal year where they had \$100,000 especially ear-marked for oil pipeline litigation. That was deducted out. Form V shows that. There was also \$50,000 for the FY 74 Limited Entry Study that is knocked off this year.

Mr. Saylor noticed that authorized positions at a level 24 were often subfilled with a 19 or 20. He realized they were probably put in at that level and then promoted later on when they had proved competent. He wondered whether they would continue that practice with the new positions they had requested.

Mr. Peterson replied it was a question of what they had to pay to get qualified people. He said they were probably going to see an exodus of good attorneys from the State government in two or three years, so to retain people, they have to pay good salaries.

Mr. Schroeder stated that in terms of specific positions, the Alaska Transportation Commission already had one attorney that was dealing with that and the Public Utilities Commission. If he stayed on with the ATC, there was a good likelihood that with that kind of leadership they could take a junior attorney and let him grow with the job. However the attorney in Valdez would be on his own and would probably be an experienced man.

Mr. Ose asked why it was so much for transportation. Mr. Schroeder explained that the State allows \$1500 on a move of a person. He said the attorney turnover was quite high. Most of the ones that come into the Department do not come from private practices in the State. The Department has recruited from outside to a large extent and has moved these people

Mr. Ose asked how many people this entailed. Mr. Schroeder replied they could move five people on \$7,400.

Mr. Ose asked why they spent \$13,500 in FY 73. Mr. Schroeder said he imagined 73 was a larger than average turnover and pointed out that they didn't spend that much in FY 74.

In answer to a question from Mr. Freeman, Mr. Schroeder explained that since the budget had originally been submitted, the Governor's Budget Review Committee had set up \$200,000 for the Gas Pipeline Study.

Mr. Saylor asked the Department whether, if the Committee decided to request them to reduce the budget by 9%, they would make that reduction.

ADJOURN Meeting adjourned at 2:50 P.M.

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

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

Mr. Easley stated that Personal Services drops from \$240,500 to \$202,400, which is a result of the dropping of the three positions in the Planning and Design Section. Travel remains essentially the same. Contractual Services is slightly under FY 74 authorized. Commodities are \$100 more. Equipment shows a drop from \$1.6 to \$1.2. The total budget is about \$40,000 less than FY 74 authorized.

[Mr. Meekins left the meeting.]

Mr. Saylor asked why the three positions were cut. Mr. Easley replied they were lost because of the length of time the positions went unfilled, and it was the Governor's policy to delete such positions from the budget after so long.

Mr. Saylor asked Mr. Charney to comment. Mr. Charney couldn't say that was a standard policy of the Governor's because sometimes he allows positions to be filled on a contractual basis when they are unable to find a full-time employee. The standard practice is to ask questions about unfilled positions.

Mr. Easley said he thought they could live without the positions.

Mr. Warwick said that in the month they have been here they have spent a considerable amount of time looking at problems in various building projects. Most of the problem seems to be in Planning and Design. He asked if they were understaffed or had substantial problems in that agency.

Mr. Easley gave a brief summary of what occurred. For most of this year they have only had one staff architect and up to 100 projects. There were real problems. Since that time they have managed to fill two vacant slots. However, the one architect had a rough go of it this Spring because on all of the 100 or so projects he had direct instructions to get this work out of here before the pipeline is started.

Mr. Warwick asked how many architects there were, and Mr. Easley said three. He added that professional architects were hard to come by.

Mr. Warwick asked whether most of the architectural work was done contractually. Mr. Statter replied that all of it was. He said they needed in-staff architects to assure compliance with all State and local codes and to be in a position to assist the using agencies and get on a continuing basis to provide advice on practical changes and unpractical changes.

Mr. Saylor said that they have had several of the other departments in Committee and had heard complaints about the nature in which they are billed for things by the Division of Buildings. For example, SOS says they will receive a memorandum from the Divi-

sion of Buildings one month billing them for \$300,000 for something and they never really know what that something is going to be or how the amount was arrived at or developed. They expressed a big concern. He also told them about Commissioner Campbell's concern that the Dept. of Highways had to have a maintenance building designed by an architect.

Mr. Easley explained that when a project was approved, the Division of Buildings and the agency they were working with signed a working agreement which provided for reimbursement. The agreement gave a description of the project and a top dollar limit. He said they have never charged more or less than they stated at the beginning. At the time that SOS took over the maintenance of schools, they requested the Division's assistance. SOS was billed at the direct cost. He added that when there were five or six people in SOS requesting services and signing reimbursable agreements, it was possible that it would cause confusion. He said that it was a problem in their organization rather than in the Division of Buildings.

Mr. Easley commented that Mr. Campbell was of the opinion that he didn't want an architect on a maintenance building, but would rather have an engineer. It was a matter of opinion, and Mr. Easley said that in a standard building, he thought an engineer would be fine. In the Anchorage maintenance building, the Highway Department designated men to work with the architect and see that the building was built precisely to the standards which the Commissioner had agreed to. This was done. In the Anchorage maintenance building they put in a 25 ton hoist based on their request, only to find out that the Commissioner thought a 10 ton hoist would have been fine.

Mr. Haugen asked whether they could appropriate funds for a Butler Building directly to the Department of Highways. Mr. Easley said that a year ago, they had agreed they would have no objection to that. The Division of Buildings could assist them with code compliance.

Construction  
Inspection

Mr. Saylor asked them to go on to the Construction Inspection BRU.

Mr. Easley said this budget showed only minimal inflationary increases. Personal Services went from \$147,000 to \$163,000; Travel went from \$2,000 to \$2,100; Contractual Services went from \$11,600 to \$8,300; Commodities went from \$1,600 to \$1,700; and Equipment went from \$4,500 to \$10,000.

Mr. Saylor asked the type of equipment, and was told automobiles from the Department of Highways.

Mr. Saylor asked why the Governor had reduced them to below maintenance. Mr. Easley said it was basically a reduction in vehicles. Construction inspection was reduced somewhat.

Mr. Warwick noted that last year they had \$4,500 for equipment and

now they were requesting \$10,000. The Governor had allowed nothing. He asked what it had been for. Mr. Benson said they had been requesting two vehicles.

Mr. Warwick asked how they were going to get along without them, and Mr. Easley said he didn't know.

Mr. Warwick said that 8 positions were listed, but the detail only showed 7. Ms. Trimble explained that one position had been dropped off in error and it was listed independently, so there were 8 positions and they were all filled.

Mr. Warwick asked whether all of the positions in the Division were filled at this time. Mr. Easley said that in Construction Inspection they were, but not in the whole Division.

Mr. Barber asked the reason for the big drop in personnel between 1973 and 1974--from 35 to 8. Mr. Easley said it was just a matter of financing. Basically it came from taking these positions out of the General Fund and putting them on the projects themselves.

Mr. Charney said the 1973 Actual column was wrong. They didn't have 35 positions for \$56,000, they had 35 positions for \$629,500.

Custodial  
Ser-  
vices

Mr. Saylor asked them to go on to the Custodial Services BRU.

Mr. Easley said the increase was largely a matter of the increase in the number of facilities. They have added ten additional major facilities since 1973. All of these are assumed to be in operation at least a portion of the next year--six to twelve months depending on the facility.

[Mr. Ferguson left at this time.]

Mr. Saylor said that the Anchorage and Juneau Parking facilities hadn't even broken ground yet. Mr. Easley brought out that they hadn't shown them for a full year--Anchorage was funded for 8 months and Juneau for 7 months.

Mr. Speck asked where the Juneau parking garage was going to be, and Mr. Easley said it would be adjacent to the existing facility, right next to the new office building, towards Thibideau's. The Division of Buildings has an office right in the middle of it, and there are also two houses there. The papers for acquisition were filed today.

Mr. Warwick said he was having difficulty figuring out the positions. 21 positions were listed, but when he went through he counted up 26. He wanted to know why. Ms. Trimble said that Form 11A listed the positions that were correct.

Mr. Warwick said he was looking at the IBM printout on page 1166. Ms. Trimble said the IBM printout was incorrect, but they had been instructed to put in it anyway because it was standard backup. Mr. Easley said that the printout had been updated since then and the one on page 1163 is correct.

Mr. Saylor noticed that in the Commodities category they show a jump from \$150,000 to \$414,000. He asked what accounted for such a tremendous increase. Mr. Easley said that was a reflection of custodial needs in the new buildings.

Mr. Saylor asked whether some of the buildings would be cleaned by contract. He wanted to know what they paid per square foot for contractual work as opposed to hiring their own. Mr. Easley said they had done an analysis of that a couple of years ago and found that it was cheaper by contract, and as a result they were all done by contract except for the Capitol Building in Juneau. Basically the reason they aren't on contract is that most of them are employees of many many years standing, and secondly because of the personalized service often required in this building.

Mr. Saylor asked how many custodial workers were employed in the Capital Building. Mr. Easley said he would find out for him.

[Mr. Specking left at this time.]

Mr. Warwick asked when the State Office Building would be completed, and Mr. Easley told him that May 1 was the scheduled completion date.

Mr. Warwick asked when the Court Building was to be completed, and was told it would be this Fall.

Mr. Saylor asked whether the new State Office Building would be heated by fuel oil or electricity. Mr. Easley said it would be fuel oil.

Mr. Saylor then asked if May 1 was the original completion date, and was told that it had been originally scheduled for December of 73. The reason for the postponement date has been the total unavailability of carpet. That is a problem they are facing everywhere.

Mr. Saylor asked to be supplied with information as to the original contract price for the new State Office, the number of change orders, and the final completion cost. Mr. Easley said he believed that had been furnished to him. It was discovered that the Speaker had the information, so Mr. Saylor said he would get it from him.

Mr. Haugen asked if the Committee could have a tour of the building. Mr. Easley said certainly, and Mr. Haugen said he would have the staff arrange it.

Mr. Warwick asked whether they had given any thought to heating the court building by electricity. Mr. Easley said the cost was be three times as much.

Mr. Saylor asked about the plans for a \$25 million facility for Juneau to be located near the federal building. He had heard rumors that it would be a new Capitol Building. Mr. Easley replied that they had provided an estimate for a structure of that type. The name of the structure was a regional office building. They sited it around where Thibideau's was now. The structure would be about the size of the new State Office Building.

[Mr. Meekins came back at this time.]

Mainten-  
ance  
Services

Mr. Saylor said they would go on to discuss Maintenance Services.

Mr. Easley said that the introduction said that increases for Maintenance Services were primarily because of the increase in the number of buildings. There was a comparable increase in contractual services for the same reason. This is the budget that required 22 additional people. He said that page 1193 of the Budget Document gave a list of additional facilities and a detailed description of the number of people required to maintain them.

Mr. Easley said they would notice that there was a substantial decrease in travel services. The reason was they were no longer maintaining State-Operated Schools. The same holds true for the substantial reduction in contractual services, equipment and commodities.

In answer to a question from Mr. Warwick, Mr. Easley said that page 1156 of the Budget Document showed the number of months anticipated for completion of each project.

Mr. Saylor said they would go on to discuss Administration and Support.

Mr. Easley said this budget reflected the addition of five people transferred out of Administration. It is shown in Administration and Support as a substantial increase but it was actually a transfer of funds. Other than that it is a pretty straight forward budget in line with what it was last year.

At 3:20 P.M., the Committee went into a Bill session on HB 425. (See Bill Minutes.)

HOUSE FINANCE COMMITTEE  
February 22, 1974  
1:35 P.M.

PRESENT

All members except Representative Ferguson. The following people were present from the Department of Highways: Mr. Bruce Campbell, Commissioner; Mr. Tom Johnson, Administrative Director; and Mr. Bruce Freitag. People representing Budget and Management, and people representing the Press were also present.

GENERAL  
GOVERNMENT

Acting Chairman Haugen called the meeting to order and said that the General Government Category was under discussion, in particular, the Highways Working Capital Fund. He asked Mr. Campbell to begin testimony.

DEPT. OF  
HIGHWAYS

Working  
Capital  
Fund

The Commissioner explained that it was a revolving fund set up for running the statewide equipment fleet for all state agencies and maintaining all buildings under the responsibility of the Dept. of Highways. It is revolving in the sense that agencies pay into the Working Capital Fund for equipment they use. It is a self-sustaining fund.

Mr. Johnson said this budget was probably the one they have had the most changes in. The FY 1974 authorized was \$6989.2 million, and the Governor allowed \$12747.5 million for FY 75, an increase of 82.3%. He said he was going to break that down into what normal increases would have been, and then separate the things budgeted this year that have not been budgeted for in the past.

If they pulled out the new one-time cost, they would have a budget for FY 1975 of \$7843.5 million, a 12.2% increase. That is made up of 13 new positions of which 4 were transferred from the Division of Aviation with the International Airport at Anchorage. Personal Services went from \$3,335.7 to \$3,765.5. He went on to name other changes. Travel went from \$58.0 to \$70.4; Contractual was reduced by \$74.7; Commodities went from \$2,176.3 to \$2,644.1; and Equipment went up \$39.7.

The other \$4.9 million increase has never been reflected in the capital budget in prior years. It covers the replacement of equipment. He said they had never budgeted for depreciation in the operating budget. This is the First year the Governor's Review Committee recognized it as operating cost.

Another cost not usually occurring in the Working Capital fund is administrative cost. \$409,000 was funded as actual cost of operation.

A third thing is that the Department used to charge all types of commodities to a specific vehicle. There were 200 items charged off, which is not much money, but a tremendous amount of work. \$225,000 is for an inventory procedure change so that they won't have to "nickle and dime" themselves.

Mr. Johnson stated that all of the items previously unreflected in this particular budget have been reflected somewhere in the State budget.

Mr. Warwick thought they had abolished the Working Capital Fund. Mr. Johnson said they had abolished the Fish and Game one, not theirs.

Mr. Warwick was concerned about depreciation--he didn't understand where it had been reflected before. Mr. Johnson said that their rates have been reflecting depreciation.

Mr. Campbell explained that since rates had already reflected replacement cost the only increase in rates was the normal increase for replacement cost which reflects escalation for replacement.

Mr. Charney, from Budget and Management, explained that looking at the budget bill itself, last year the appropriation for the Working Capital Fund was found in the operating budget plus the capital budget. This year the appropriation from working capital is all in the operating budget and Capital is in the reserve account. So, they have established a new reserve account.

Mr. Campbell said they were requesting no General Funds.

Mr. Warwick thought it looked like they were taking care of depreciation in the rate and appropriating a like amount for capital improvements. Mr. Campbell explained that the Capital Improvements came from the reserve funds and the reserve funds came from the rates.

OFFICE  
OF THE  
GOVERNOR

Bicenten-  
nial Com-  
mission

Acting Chairman Haugen stated that the next item on the agenda was the Bicentennial Commission. Mr. Ed Tomco, Executive Director of the Bicentennial Commission for the American Revolution of the State of Alaska was present to testify. The Commission falls under the Office of the Governor. He asked Mr. Tomco to give his presentation.

Mr. Tomco explained that the purpose of the Commission in Alaska was to celebrate the 200th anniversary of the American Revolution statewide. The federal government allowed \$40,000 to fund himself and a secretary in an office. He said they had set up a methodical plan they intended to go by. He passed out copies of this Master Plan to the Committee.

Mr. Tomco went on to say that the federal government had also set aside another \$40,000 to match worthwhile projects in the State on a 50-50 basis. Last year it had been allocated to several projects in the State. One was Juneau's mining museum at \$7,500. They also helped with the Homer museum and the Alaska Flag Monument in Seward. They gave the U. of A. a little money to put out a weekly paper in 1976 depicting the news that same week in 1776.

Mr. Tomco said that this year he understood that the Federal Government was going to allow \$200,000 to be put out on a 50-50 match base. That money has not actually been received yet, but from the information he has, it is a sure thing.

He said they were getting set to operate next year, and, of course, they want to do their best to revitalize values and attitudes that actually started this country in the years that our constitution was set up. The Commission was very anxious to see to it that the entire state was involved in this program. He has been working with a Commission that is representative of the whole State. They have tried hard to get the smaller communities involved and they have structured themselves in a direction to give them what help they could. They have given help even to the extent of setting up a project and doing all of the typing for them.

Mr. Tomco said he was before them today with an amendment to the budget which they had before them. The reason is that they have found that the U. of A. is putting together a film archive in which they are collecting all of the old movie films that they can get and along with those that they have, they are going to run copies and put them together and keep them indexed in their library. They will be available to anyone to borrow. The figure they feel they need is \$46,000.

In addition to that figure for the University, there is also a smaller one of \$2,500 that they need for the Tanana Valley State Fair. They are putting together a Young Alaskan Tour Group for 1976 and also an Agricultural Museum. The Tour Group hoped to pull together to go throughout the State putting on different performances depicting programs that will reflect our heritage. They are hoping this will be a continuing thing, and that they will be able to raise enough funds to keep going from admission.

Mr. Haugen asked if this could be charged against the anticipated \$200,000. Mr. Tomco said no, because they didn't know they were going to get the \$200,000.

Mr. Tomco went on to say they were asking for funds from the General Fund to go along with the \$45,000 that they have for operation. They need it in order to get a little better coverage to cover the entire State. He noted that he had originally requested an Assistant, but the Governor hadn't allowed it although he had allowed a small amount for additional help.

Mr. Warwick noted that there was no General Fund Required matching in this budget. Mr. Haugen said this \$5,000 was to set up the Bicentennial Commission, to get it off the ground and provide a report to the Legislature. Mr. Tomco said the report was what he had given them copies of. He said there should be 60 of them in the mail for everybody.

Mr. Haugen asked if there had been money in excess of the \$5,000 to make it possible for them to make an early decision on the projects they were going to fund. Mr. Tomco said that money had come from the federal government--\$40,000, which was 50-50 match.

Mr. Charney said that local governments provided the match. The state provides the grant only.

Mr. Tomco explained that the federal money came to the State to hold. When the local government meets the requirements, the State releases the money.

Mr. Warwick asked about the \$40,000 and was told that money came to the State and was dispersed.

Mr. Kent Dawson Fiscal Analyst for Legislative Finance, explained that \$40,000 was appropriated in the budget as operating money. Then, on top of that \$40,000 was provided for projects to be matched 50-50 by local communities. At this time they haven't come up with a Revised Program to get authority to put in all of the programs.

Mr. Charney said they hadn't received the Revised Program yet.

Mr. Warwick asked if the \$200,000 was in addition to the \$45,000 in their budget now, whether they planned on sending down for revision on that. Mr. Tomco said yes.

Mr. Warwick said he had read various articles saying that the Commission wasn't going very well. Mr. Tomco said there had been problems on the National level. Right now they are setting up a new director, who he hears was high up in the Navy. He added that it had been changed to a Commission from an Administration.

Mr. Tomco said that should this \$200,000 materialize, he didn't know what Alaska would get out of it. He said it was a good time for them to reach the young people and let them know what we have in the way of a government.

Mr. Warwick asked how much the Federal Government planned to spend on program match. Mr. Tomco said that right now they had appropriated \$20 million--\$10 million to take care of the \$200,000 grants to States, and \$10 million to put up for worthwhile match programs that the States should come up with.

Mr. Warwick asked whether Alaska would have some of these worthwhile match programs. Mr. Tomco said they were hoping so, and that they have been thinking of some with an international flavor. For example, on the Aleutian Islands there are some graves they would like to commemorate. They have also been thinking of doing something on the whale industry.

Mr. Warwick knew that the \$200,000 came out of the \$10 million, but he wondered where they got the \$45,000. Mr. Tomco said they intended to get that from the sale of coin sets. They tell him that they

Mr. Saylor asked about the resolution introduced in the House last week designating Anchorage as the official bicentennial city. Mr. Tomco said that couldn't be done. He didn't know how it came up, and that it couldn't help the statewide program.

Mr. Barber asked about the Bicentennial Park in Anchorage, and was told that it had the Commission's blessing.

Mr. Specking asked about the Eskimo museum at Barrow, and was told that the Commission thought it something very worthwhile, but financially, they didn't see it as something they would have funding for.

Mr. Ose asked if it was a one-shot deal as far as the federal government financing it, and Mr. Tomco said it was.

RECESS

Meeting recessed at 2:15 P.M.

AFTER RECESS  
2:20 P.M.

PRESENT All members of the Committee except Rep. Ferguson. Mr. Richard Renninger, Director of Vital Statistics, and his Assistant were also present. In addition Budget and Management staff and Mr. Joe LaRocca, reporter, were present.

GENERAL  
GOVERNMENT

Chairman Freeman called the meeting back to order and said they would be discussing the General Government category of the Budget. He turned the Chair over to Mr. Saylor who would be conducting the meeting in place of Mr. Ferguson, Chairman of that Sub-committee.

DEPT. OF  
HEALTH &  
SOCIAL  
SERVICES

Mr. Saylor stated they would be hearing testimony regarding the Division of Vital Statistics. He asked Mr. Renninger to begin his presentation.

Vital  
Statistics

Mr. Renninger stated that in 1975 they would be experiencing the normal type of increases associated with inflation. They are experiencing some increased workload as a result of the Native Land Claims Settlement. It isn't settled as far as they are concerned because they have a lot of work verifying Native births. In this fiscal year they started microfilming of records which had been deteriorating. They hope to complete that in FY 75. They also started on a project of renewing cooperation with the local registrars to visit and do training with respect to Vital Statistics.

Thus, the major increases in the FY 75 budget involve the completion of the microfilm project at \$4,200, and increased travel for direction, supervision and control of activities of local registrars at \$1,800.

As far as increased personnel costs, the only additional thing they are asking is for temporary help to complete the microfilm project. This involves the initial set-up of the new system, the preparation of files for the alphabetical index, the rearranging of the selection, and checking for clarity on the microfilm.

Mr. Renninger thought they were probably all familiar with the functions of the Division of Vital Statistics.

Mr. Specking said that he really wasn't familiar, and wondered what was vital other than life and death. Mr. Renninger said they maintain all birth and death certifications as well as adoptions, divorces and marriages. They also take care of delayed birth certificates, which is by Statute required for persons who have not established birth within a certain period of time. This involves expensive research in establishing place and time. This is one of their most time consuming projects especially with the Native Land Claims because many of the Natives have not established the place and time of their birth. They have to contact various churches, the Bureau of Indian Affairs, the school system, in order to verify the birth.

Mr. Renninger explained that because of the Land Claims, now there was a large group of people needing to verify their births. Before, they didn't care. One of the things involved is proof of race. Establishment of race is sometimes clouded by things like adoptions, where the facts of the original birth is hidden in their files.

Mr. Saylor asked the role of the Division of Archives and Records in the microfilming process. Mr. Renninger replied that they were doing the actual microfilming for Vital Statistics. Mr. Saylor asked whether the Clerk III was for Archives, and was told no.

Mr. Meekins asked whether it was possible to get information, such as the time of your birth, from the Division. Mr. Renninger said that it was.

Mr. Haugen asked whether they charged for such a service. Mr. Renninger explained that they didn't charge for things which were required by Statute, although there is a \$3 filing fee. They charge at an hourly rate for research which they do which isn't statutory.

Mr. Saylor asked what the filing fee was supposed to cover, and Mr. Renninger said it was for the time used in preparation of the document.

Mr. Meekins asked whether the Court System kept records of deaths divorces and adoptions which were separate from what the Division of Vital Statistics kept. Mr. Renninger said that the Division of Vital Statistics kept all of the records. He said that the local registrars were members of the judicial system and that they kept one local copy which contained some of the local information. He supposed that the Courts kept their own files, so there were two different places where statistics were kept.

Mr. Warwick said he had been going to say he couldn't really see how there would be enough work for 12 people when he noticed that 5 of the positions had been vacant on December 19 and that the periods of vacancy had varied. Considering that, he asked why they needed another part time employee. Mr. Renninger said they were asking for a Clerk position which is not a specialized position but a more straight forward task. He said that the reason for the vacancies was because of the special qualifications which they require, it has been difficult to recruit people to handle the documents.

Mr. Warwick thought it might be easier to reclassify one of the positions which had been vacant to a Clerk III. Mr. Renninger said they had a backlog of work which required the skills of a Document Specialist Clerk.

Mr. Warwick asked how many vacancies there were now, and was told there were none at the present time as far as Mr. Renninger knew.

Mr. Warwick asked Mr. Renninger to find out, and if there was one vacant, tell them if they would like one reclassified.

Mr. Renninger pointed out that the Clerk III was just a temporary position who wouldn't be needed after next year.

ADJOURN

Meeting adjourned at 3:40 P.M.

HOUSE FINANCE COMMITTEE  
February 27, 1974  
1:40 P.M.

PRESENT

All members except Mr. Ose, Mr. Ferguson, and Mr. Warwick. The following people were present from the Department of Administration: Mr. Joe Henri, Commissioner; Mr. Kellus Sewell, Administrative Officer; Ms. Darlene Levy, Personnel Officer; Mr. Richard Smith, State Internal Auditor; Mr. Myrt Charney, Director of Budget and Management; Mr. Patrick Hunt, Director of Personnel; Mr. Noah Wellman, Director of General Services/Supply; Ms. Colleen Roguska, State Archivist; (Mr. Mike Parisi, Director of Data Processing, and Mr. Mike Wheeler, Deputy Director of Data Processing, arrived a little later in the meeting.)

Data  
Processing  
(Use of  
State Com-  
puter)

Chairman Freeman called the meeting back to order. He said he believed Mr. Henri had been furnished with some communications involving the Finance Committee staff and the Data Processing Service. Mr. Henri said he hadn't been.

Mr. Freeman told him to take a few minutes to read the letters.

Mr. Henri said that on the use of the State's computers, it had never been brought to his attention that they weren't cooperating in every respect with the Legislature. As far as Mr. Henri knew, the accusations were not true.

Mr. Freeman asked if it were possible that people further down the ladder might have feelings that it was their computer and that the legislative staff were interlopers. Mr. Henri said it was certainly possible, and he wanted to assure them that he would look into this and make sure it was an impossibility in the future.

Mr. Freeman asked about the bumping of state work in favor of outside private ventures.

Mr. Henri admitted there was that implication, but that they certainly wouldn't give AEL&P higher priority than the Legislature. Without looking into it to examine it, he couldn't tell them what had happened

He said he was aware that AEL&P was on the computer. He said there was no other computer that could do the job in Juneau. That computer goes 24 hours a day, and he thought it a good idea to earn some extra income on it. He said the graveyard shift was very light. He added they certainly weren't in competition with anybody.

Mr. Saylor said they were under the impression that B.M. Behrends Bank had a small computer. Mr. Henri said that his information was that the work couldn't be done anywhere else, but he didn't claim to be an expert on computers. He said they had a regular charge

for the computer and they would be willing to lease time to anyone who wished to pay the rate.

Mr. Saylor asked what the rate was, and Mr. Henri said \$175 an hour including the operator. Mr. Saylor asked if the contract was an hourly one. Mr. Smith, the State Internal Auditor, replied that he had talked with the Data Processing people about the amount of access provided to the private sector, and they had said over the last 12 months, they have used the computer for 11 hours. He said they had pursued the subject of AEL&P, and had been told that it in no way infringed upon State operation.

Mr. Barber referred to questions 6 and 7 on page 2 of the letter from Mr. Hogan:

6. Are those programs being written in assembly language? If so, why? Isn't the Division of Data Processing now writing all of their programs in cobol language?

7. If written in assembly language, who will maintain them? Hasn't the Division only recently had to re-write the longevity bonus program from assembly to cobol language because there was no one to maintain the system in assembly language?

Mr. Henri replied they didn't have any specific language, they used the language most appropriate for the job at hand. He said they had had advice from several very competent people in major accounting firms.

[Mr. Ferguson arrived at this time.]

Mr. Barber asked whether if they were discussing a program, they could tell which language it was in. He said they could tell him the language of any program on the computer or on design since a judgment was made in advance.

Mr. Barber said the inference in the letter was that they wouldn't be able to tell him. He wanted this looked into.

Mr. Henri pointed out that languages were converted from time to time. He said they had a number of people conversant in both languages.

Mr. Meekins said that 11 hours of computer time was a sizeable amount. When he was at school he used to use a computer and the amount of time he spent was about 45 minutes, and it took the computer only about 10 seconds to answer. He thought that 11 hours of computer time must be a sizeable amount of money.

Mr. Smith thought they must be talking about different things because these 11 hours were charged at \$175 an hour.

Mr. Meekins wondered what happened to the money they received since it didn't turn up in program receipts. Mr. Henri explained they would bill them and the money would just go into the Treasury. He said it wouldn't show up in the budget.

(Teachers' Retirement System)

Mr. Henri referred to the memo on the Teachers' Retirement System. He explained that the Arthur Anderson Co. was awarded a Phase I contract to advise the Department of Administration, Retirement Section, as to what it would take to redo the Teachers' Retirement. He was sure that they, as representatives of the public, had heard numerous complaints as to the Teachers' Retirement System. The Program design was very poor and it wasn't able to keep up with the huge increase in members. It was evident that the thing had to be redone, and that was why they had Arthur Anderson Co. review the System. The State entered into a Phase I contract with them for \$31,000. Then they entered into a Phase II contract with them for implementation. They said they wouldn't exceed a maximum of \$67,000. Several weeks thereafter they came back and said they couldn't possibly do it for that. They said it would cost somewhere around \$135,000. Mr. Henri had said no, since there was a contract they would have to stick to it and do it for \$67,000. They said they wouldn't do it, that they had lost enough money already. Mr. Henri finally told them that if he could get it done somewhere else for that amount of money, he would let them off the hook. He found he couldn't get it done for much less than \$135,000 by any of the Big Eight Accounting Firms.

He pointed out that when Mr. Endicott left the State to go into private practice, he had had no idea that Arthur Anderson Co. was not going to stick to its contract. After they refused to stick to the contract, Mr. Henri had talked with Mr. Gates, Chief of the Retirement Section, about letting Southeast Data take care of the matter. Mr. Gates had been lukewarm about the idea, but Mr. Henri had decided to mention it to Mr. Endicott anyway. Mr. Endicott had looked it over and had given a figure of \$66.8. Mr. Henri stressed this was not a bid thing, but a negotiated thing under the Arthur Anderson prior agreement. He didn't know if he had even written to them releasing them from the contract yet.

Mr. Barber asked if the Retirement System was done. Mr. Henri said that it was, and that it was working marvelously. He said they were now redoing the PERS System.

Mr. Saylor asked what type of computer Southeast Data had, and Mr. Henri didn't know of any computer they had. He said they did have key punching machines.

Mr. Freeman asked how many private firms or organizations were using the State's equipment. Mr. Henri said it was extremely limited, and he wasn't sure at the moment who they were.

Mr. Freeman thought they could agree that the use of the computer was important to this Committee, and that they would take offense to being bumped by an outside firm.

Mr. Henri said that he thought everybody understood where the priorities lay. He said he apologized for his Department if the Legislature was caused any inconvenience.

GENERAL  
GOVERNMENT

At this time Mr. Freeman turned the Chair over to Mr. Saylor who was the Acting Chairman of the Sub-committee on General Government.

DEPARTMENT  
OF ADMINIS-  
TRATION

Mr. Saylor said they would be hearing testimony on the Department of Administration's Budget.

[Mr. Meekins left the meeting.]

Mr. Saylor asked Mr. Henri to give a brief overview of his Department's budget.

Mr. Henri stated that the budget in general contains about 52 new positions, 18 of which have already been approved through Revised Program by the Budget and Audit Committee. He thought a number of them were important, and apparently Budget and Audit agreed. They have also started the Office of Risk Management which is handling State insurance. They would like to add a couple more people to that office as well as a Clerk. He said that in these labor negotiations he has been involved in, there has been a great deal of concentration on safety. He has been concerned about that for a long time and has been trying to reduce the State's liability. The new Office of Risk Management has two essential functions: 1) to cut down losses and 2) to keep insurance policies current and revise them if necessary.

He went on to say that during the past year they have been successful in expanding insurance coverage, areas of risk, and limits of liability. At the same time they have dramatically reduced expenditure. With some of the savings realized, they started this Office of Risk Management. Mr. Henri said he sought their help in keeping the office going to do this job which the State needs to do. He pointed out that the Office personnel would be able to check for loop holes in policies.

He sent Mr. John George, Chief of the Office, to a meeting of State Risk Managers. It turns out that Alaska has the best program in the country today. At the end of the first day of the meeting, Mr. George was one of the panelists telling others how to do it.

Mr. Henri said that there was a need for constant vigilance in the area of insurance. He hoped they would see fit to honor the request.

Mr. Henri said that the General Services section was in need of purchasing agents. The volume of supplies needed has increased dramatically, but they aren't able to buy by volume any more because they don't have the personnel, so they are losing money. He hoped the Committee would be favorable to giving them the people they asked for, which he thought were minimal.

Mr. Barber said they had heard complaints that purchases were delayed due to grouping of additional shipments in order to make large purchases. He agreed this would lower the purchase price, but didn't think it was very helpful to the purchaser.

Mr. Fink said they were trying to keep up with the change in volume of business, and that they would like to get things out as fast as people wanted them, but sometimes it wasn't in the best interest of the State.

Mr. Saylor noticed in the budget there was a \$123.5 increase mostly in ASHA rent. He noted that their present space was 17,300 square feet, and they would have 24,200 square feet in their new building. He wondered whether part of the increase in payment was for a portion of the parking area. Mr. Henri replied that was right. He added that the building was left over from Governor Miller's administration. At the time the bonds were funded, there was a statutory limit of 7%, and the bonds were funded at 6.999% and the actual period was 11 years. This means the whole building has to be paid off in 11 payments.

Mr. Saylor asked about the fire insurance, and was told that was something Budget and Management stuck in.

Internal  
Audit

Mr. Saylor asked to hear from the Internal Audit section. Mr. Richard Smith, State Internal Auditor, was present to comment on his section.

Mr. Smith said it was a small office within the Office of the Commissioner. He has 8 Internal Auditors and one clerical person. He said they were the only executive auditors in the bunch. They don't offer direct service, but service is granted to people of the State for any function within the State for any of the programs that operate within the State. In many instances they see what needs to be done and try to implement it. They are asking for 9 positions this year which will in essence double the staff in the agency. The money will be coming from the different departments--essentially Education, Public Safety, Natural Resources, Vocational Education, Office of the Governor, Criminal Justice. They will do the programs which they feel are essential.

Mr. Smith thought he could talk about what they have done in the Office and the procedures that have been changed and the controls

offered, but it would probably just be a lot of words. He thought that something which would make a better impression would be dollars and cents because they would show this was a worthwhile program to the State. He told them about a review they had done of the Department of Natural Resources where they changed the provision for fire suppression and reduced the cost. He talked about work done for the Department of Labor where they saved the State \$250,000. He told them about an audit report on statewide administrative costs which would save the State \$400,000 when it was totally implemented. Work they did for Criminal Justice saved probably \$150,000 in federal disallowances that would have occurred. They also saved Education about \$2.25 million in federal disallowances. He said he could talk about bringing International airports into compliance with regulations. He said they had saved \$150,000 in some of the smaller agencies.

Mr. Saylor asked how many audits they did during this fiscal year, and Mr. Smith said probably 26. Mr. Saylor asked if they planned to double the effort if they doubled the staff. Mr. Smith thought they would at least double it. He said some of the audits would be smaller ones, and if they were talking about the big extensive things, it was hard to say the number.

Mr. Saylor said that in October they had come before Budget and Audit with a request which was denied, he wondered if they were going to use the extra staff to do that. Mr. Smith said they were talking about differences between the Executive Branch and the Legislative Branch, but they were not in any instances talking about work within agencies as pertained to that request.

Mr. Saylor said that in their memorandum in October they were going to be auditing federally funded programs to see that they were conducted in the way they were funded to be. He wanted to know if they were going to use the extra staff to do that. Mr. Smith said no, and added that they were talking about going into the programs to satisfy the Department of Administration.

Mr. Barber asked if there was any conflict between Internal Audit and Legislative Audit. Mr. Smith said that in his own mind he didn't feel there was a confusion, and he said they did no duplicate services.

Mr. Haugen asked if they had audited the Division of Buildings. Mr. Smith said they had audited the Division of Buildings in January of 1973 and in that instance found their set of records implorable. They weren't using the State's record keeping system. He said they did the audit, and not only offered to do the work, but in many instances set up the procedures. He said that SOS had come to them now asking what had happened recently, and they were going to check on it.

There was further discussion of particular instances, and Mr. Smith said that one way to take care of all of these problems would be if they had 18 auditors.

Mr. Saylor asked Mr. Henri what they intended to lapse this year. Mr. Henri didn't know, and added that it would be a surprise to him if they had a lapse.

Mr. Barber asked Mr. Smith whether any of their audits had an effect on the books. Mr. Smith said that in each instance they make a review they improve the books. If they find an error, they attempt to find its effect on the department and correct it.

[Mr. Henri left the meeting.]

Mr. Smith said that in an instance where they are reviewing a federal project, they will also review the State administration of that project.

Adminis-  
trative  
Services

Mr. Saylor said they would go on to speak about Administrative Services. Mr. Kellus Sewell, as Administrative Officer for the Department, was present to speak. Mr. Sewell said that Administrative services was the Division which provided services for the Department throughout the State.

Budget &  
Management

Mr. Charney, Director of Budget and Management, said they had a hold-the-line budget. The only inflationary adjustment for this office is to offset a \$3,100 shortage in personal services from last year. That accounts for \$3,000 of the maintenance level increase. Other than that, the number one priority is for an increase in travel funds for the budget analysts. Since the inception of the Budget and Audit Committee, Budget and Management is supposed to have a representative at all of the meetings. He has had to infringe on his analyst's travel money in order for them to attend those meetings. This means agencies located outside of Juneau are not being reviewed.

Mr. Saylor said they kept hearing the complaint that after the agency submitted their budget it went to the Budget Review Committee, then to the Governor, and then to the Legislature, and until then the Agency never knew what was in it. Mr. Charney admitted that had been true until this year. This year there had been an express order from the Governor that the agencies be notified right along the line of all of the changes.

Mr. Saylor asked whether this information was sent to the Division heads or the Commissioner. Mr. Charney said it was sent to the Commissioner.

Mr. Charney said that other requests were for two new positions and a change of status of one from seasonal to permanent. He said one

of the new positions was for an associate planner to assist in hearing out the capital improvement problem they have now. This would give more control at this point. He thought that with this other position to go along with the senior planner, they could obtain control on projects that the Legislature and the Administration were seeking.

The other position is an accountant position which relates to controlling projects funded by federal program receipts. The State's accounting system has a weakness in Mr. Charney's opinion because when it was set up nothing was done to separate appropriations as to how funded. This meant an agency could spend the total budget unless there is someone watching to see that federal receipts are really coming in. This is something that hasn't been done to a large extent. Essentially, what he will do is see that accounts receivable are on the books and that revenues are there before they release the authorization to spend them.

Mr. Charney felt that the Division of Budget and Management was of service to State agencies and the Legislature.

Mr. Saylor asked why there were no inter-agency charges made. Mr. Charney replied that the State doesn't charge for any finance work or for central budget and management work, It is directly from the General Fund.

Mr. Charney said they recommended the elimination of the Budget and Management Specialist. At the time the program was instituted agencies weren't able to gather all of the federal funds available. However, now there aren't that many available, and the Agencies are able to gather those that are for themselves.

RECESS

Meeting recessed at 2:55 P.M.

AFTER RECESS  
3:00 P.M.

PRESENT

Mr. Freeman, Mr. Barber, Mr. Saylor, and Mr. Haugen. Department of Administration staff was also still present.

GENERAL  
GOVERNMENT

Mr. Saylor, Acting Chairman, called the meeting back to order. He said they would go into the Division of Personnel's Budget. Mr. Pat Hunt, Director of Personnel and Mr. Kent Green, Personnel Analyst IV, were present to discuss their budget.

DEPT. OF  
ADMINIS-  
TRATION

Mr. Hunt explained they have been involved with collective bargaining and labor agreements for ten to eleven months. This has had a great impact, particularly in Employee Relations. The funding authorized for this function for FY 74 did not provide the expanded duties and responsibilities placed on this function in the areas of preparation for contract negotiations and contract administration. There is only one employee there, and he has to cover 4,000 people.

Division of  
Personnel

Furthermore, Mr. Hunt said they had to consider the anticipated impact from the pipeline where they expected to have an overabundance of people with little or no qualifications. There will be a lot of applications to handle and they expect an acute shortage of people with skills. So, in addition to the increased applications, they will have to do intensive recruiting to secure the people they will need. They are asking for a field office in the Fairbanks area so that people will have an access to the Personnel System there and problems can be handled while they are still small.

Mr. Hunt said there was no change in the Minority Training program, and that it would be held at the maintenance level until further experience indicated it should be changed.

Mr. Hunt said that in Recruitment and Examining they were asking for three new positions.

In General Training, Mr. Hunt said there was no change other than inflation, temporary help and reestablishment of a Personal Analyst III position. Reestablishment of that position will impact classification work by removing the 18% loss in time on all requests for services reported in the FY 74 analytic statement.

In Administration and Support, Mr. Hunt said they wanted to move the personnel officers from the individual departments back into the central agency. He thought this would allow them to economize and offer better service to the people.

Mr. Saylor had a question concerning Employee Relations. He said that last year they had funded approximately \$75,000 to be used in the collective bargaining effort. He wanted to know what had been done with that. Mr. Hunt replied that money was given to the Labor Relations Agency, not the Personnel Division. They have been using

it for relations, elections, and investigations. He said the Personnel Board was set up as the Labor Relations Agency.

As Mr. Freeman recalled the conversation at the time the \$75,000 was appropriated, the feeling had been that the people who bargained for the State administration were going to need help. He asked if he had misunderstood it or whether the money had been subverted in some manner.

Mr. Hunt said the request had been made for the purpose of funding the Personnel Board as the Labor Relations Agency. He added that part of the money also went to the Department of Labor because they are the Labor Relations Agency for the communities.

[Mr. Barber left the meeting.]

Mr. Hunt said he had another comment to make on Administration and Support. He said he had asked for a Deputy Director this year because it was getting to be a critical thing. He said he was spending a lot of time at the bargaining table and doing research work, and this left the Personnel System and the merit system virtually unattended.

General  
Services

Mr. Saylor said they would go on to talk about General Services. Mr. Noah Wellman, Director of the Division was present to discuss the budget.

Mr. Wellman passed out copies of information showing a comparison of savings in FY 69 and FY 73. In 1969 the purchasing staff was 19 and today it is 21. Although the purchasing staff has increased by only two, the workload has increased until it is about 25% greater which has meant about 400% savings to the State. The State Supply division has approached a greater workload and has improved services in the years between 1969 and 1973. The figures for 1974 exemplify why an increase is necessary. In the first half of 1974 the savings have been \$525,000 and projecting this forward, they are sure that they will be \$1,230,000. He said that when they compared that to last year's savings of \$2,767,000, they were actually losing money.

Mr. Wellman explained that their requests were now far beyond the best interests of the State, and that they don't have the personnel to investigate these things. They are asking for two clerk typists and one purchasing agent and one specifications and standards engineer. He stressed that right now, due to the lack of an adequate staff, the state wasn't taking advantage of the full savings available.

Risk  
Management

Mr. Wellman asked Mr. John George, Chief of the Office of Risk Management, to discuss the budget for that office.

Mr. George explained that the Office of Risk Management centralized the State's insurance program. It investigated the entire risk program to determine where they ought to buy insurance, where they ought to buy more or less, and made sure they got the most value for their insurance dollar. He said it was funded through Inter-agency receipts. He felt the job they have done this year has created great savings to the State. He expected it to do bigger and better things next year.

Mr. Saylor asked if they had to try and stop losses. Mr. George said they had asked the insurance companies for a copy of the computer print-out which showed the distribution of losses for the various departments. He said they sent a copy of this to the departments and made recommendations on what to do and asked for their own recommendations. He said they tried to look at the losses to determine what had caused them and then tried to prevent them from happening again.

Mr. Saylor asked about OSHA. Mr. George said that it had the responsibility for all industry in Alaska to make sure the statutes were complied with. He added that the State had to comply with OSHA requirements.

Mr. Wellman commented that because of Mr. George's help their protection cost is down \$1.5 million and they have broader coverage.

Mr. Freeman asked where the savings showed up. Mr. Wellman explained that last year they had a retrospectively rated program--rate x payroll. The estimated payroll at the beginning of the year was very low. The actual payroll at the end of the year when subject to audit would have qualified them for roughly \$700,000 in premiums to be paid. When the program was negotiated this year, they got them to allocate retroactively, thus they saved \$700,000. They are also in on it this year, so they are saving another \$700,000. He said they had purchased some additional coverage which they didn't have last year. They raised coverage to \$10 million from \$2 million. He said they had negotiated out of some of the additional charges they had to pay and were obligated to pay.

Mr. George said he was saying they didn't have to go back and budget for \$1.5 million to get out of this last year's predicament.

Central  
Mail Room

Mr. Wellman went on to discuss the budget for the Central Mail Room. He said that everything he had asked for was maintenance.

Mr. Charney pointed out that a postage rate increase was going into effect on Saturday, this would cause a 23.6% increase over what was shown in their budget books.

Mr. Wellman pointed out that last year \$16,500 was left out of the

budget to maintain copying machines that come under his division. He supposed they had thought that was going to be new equipment for the new building, but it hadn't been.

He went on to say there were 8 people in the mail room and they handled 34,000 pieces of mail daily. He said it was a necessary service and that the mail was for all functions of the State government.

Mr. Saylors said he didn't find an increase in budgets for other departments for CENTREX. Mr. Charney pointed out that had been budgeted last year for the initial cost, and it was up to each department to pay for maintenance. He said there wouldn't have been any great increase except for what the Public Utility Commission just allowed.

Central  
Duplicat-  
ing

Mr. Wellman said that the Division of Central Duplicating was funded entirely by program receipts. They are asking \$1,000 for travel to familiarize staff with the new duplicating equipment and to teach them to get the most out of the sophisticated equipment they have now. Maintenance for FY 74 was \$206,100, and they are asking for \$248,400 for FY 75. He explained that during the year they got permission for a night shift through a Revised Program. They would like to get that authorized for FY 1975.

Archives  
Records

Mr. Wellman asked Ms. Colleen Roguska, State Archivist, to give a presentation on Archives and Records.

Ms. Roguska said that the present facility stores 11,000 cubic feet. If these holdings were to be transferred to the new records center it would take only four years to be at capacity. They would like to continue to hold the lowest referral records in the present facility and this would allow the new records center to service the need for eight to ten years. Additionally the old records center can store and service forms. No staff increase is anticipated.

Ms. Roguska explained that transfer of records from agency to low cost records center storage to date has realized a savings of more than one half million dollars. When their capacity is increased with the new records center, the savings realized will double in the first full year of operation. National Archives and Records Services studies demonstrate twelve times cheaper storage costs in records centers compared to agency held records.

The central microfilm service will continue to operate at the FY 74 level. No increase in personnel is anticipated. Two pieces of equipment are vital to the effective State microfilming program:

- 1) Microfilm Processor - the processor currently used belongs to public safety and will not be transferred to the new microfilm

lab in the State Office Building.

2) Rotoline Camera - this piece of equipment is needed to put on microfilm the State's vital records which are now in the form of computer printouts. These computer forms are both space consuming and cumbersome. Microfilming these records will allow storage in 2% of the space required by the computer run forms. When these records are microfilmed, the binders will be recycled for use with active records. Savings in storage space will amount to approximately 1,800 cubic feet, with additional savings in future years as the volume of State records grows.

There was some general discussion of the budget.

Data  
Processing

Mr. Saylor said they would go on to discuss the Data Processing budget. Mr. Mike Parici, Director, and Mr. Mike Wheeler, Deputy Director, were present.

Mr. Parici said that under Services to Central Agencies they have a maintenance level budget decreased by \$14,400 due to the difference in actual salaries in the budget report--a 4% reduction in benefit.

Mr. Parici said they provided key punch and computer services to operating agencies. He added that they developed, designed, and implemented programs for various agencies. They have asked for a \$25,000 increase in commodities because their actual expenditure has exceeded the budget by that amount.

He went on to say there was a decrease of \$10,600 in Administration and Support due to the 4% reduction in benefits. There was also a decrease in telephone charges.

Mr. Saylor asked how they charged, and Mr. Parici said it was based on the number of computer hours.

Mr. Saylor asked how many record terminals there were and was told there was one, and that it was a local terminal.

Mr. Saylor asked him to explain the need for an Assistant Director in Anchorage, and Mr. Parici said the Assistant Director would be responsible for operation of the Anchorage program and the operation staff. There are approximately 30 people there and they need to have a manager with control over them.

Mr. Wheeler said the position would be funded by Inter-agency receipts from Public Safety. Mr. Parici added that he would still be under their supervision.

[Mr. Specking arrived.]

Telecom-  
munications

Mr. Saylor asked about the Statewide Telecommunications network.

Mr. Wheeler replied that their service was doing a separate \$50,000 item to establish a statewide telecommunication network.

Mr. Parisi said that the \$50,000 for the Telecommunications network, if approved, would be to provide terminals in various remote locations.

Mr. Wheeler said they were pushing to provide a statewide telecommunications network which would consolidate five existing networks into one. It would provide all State agencies the capacity to have immediate communication with one another. They assume that Public Safety would have priority, which would mean a delay of about one minute in transmission of a message if there was conflict.

He added that they would be locked out of the Alaska Justice Information System.

Mr. Wheeler said it would be funded through Inter-agency agreements and would take money now expended for present line networks and equipment rentals. It would be \$172,900 for an initial savings of \$4,300. He said they were being conservative in cost savings estimates.

Mr. Freeman noted it said it would also be funded by the Division of Communications. He assumed Public Works and Public Safety were in agreement. Mr. Parisi said yes.

RECESS

Meeting recessed at 4:20 P.M.

AFTER RECESS  
HOUSE FINANCE COMMITTEE  
February 27, 1974  
4:25 p.m.

Present: Representatives Freeman, Haugen, Specking, Saylor, and Ferguson (who left the meeting at 4:30 p.m.).

Also present were the following: Kent Dawson, Fiscal Analyst, Legislative Finance; Myrt Charney, Director, and Wayne Weeks, Budget Analyst, Budget & Management; Mr. William Mullin, Director, and Mr. Harry Masters, Deputy Director, Division of Finance, Department of Administration; Mr. Charles Northrup, Director, Telecommunications Office, Office of the Governor.

Acting Chairman Bud Saylor called the meeting back to order.

GEN. GOV'T The first order of business was consideration of the Division of Finance (Dept. of Administration) budget.

Dept. of  
Admin.

Mr. William Mullin, Director of the Division, told the Committee that the Finance Division staff at present numbers 30 positions.

Accounting

Mr. Mullin stated that they are now requesting 2 additional positions for a total of 32.

The first position requested is an Accountant III for the Accounting Section which now has only 4 Accountants. Mr. Mullin added that when he became Director of Finance, there were only 4 Accountants at that time. The reason for their position request is due to present complexity of the system. Mr. Mullin stated that the Project Cost Accounting System is now in full operation and has been turned over to the Division of Finance. He said that the Accountants in the Division are utilized extensively to train accounting personnel of other agencies. Because this training responsibility is increasing, a new position of Accountant III is necessary.

Payroll

Mr. Mullin then told the Committee that an Accounting Clerk III position is being requested for the Payroll Accounting Section. The position is necessary to assist with increased workloads due to the bank payments and deferred compensation programs. Mr. Mullin stated that the payroll activity has doubled over the past five years. In 1969, the workload was equivalent to 10,000 warrants per person per year; today, there are 16,000 warrants per person per year. Mr. Mullin added that the Payroll section is now facing collective bargaining which will increase the burden on the section.

Rep. Saylor then noted that in the Pre-Audit element, the amount for Personal Services has decreased from \$126.1 (FY 74) to \$125.6, Maintenance level. Mr. Mullin stated that the reduction was due to a decrease in the cost of [difficulty in hearing Mr. Mullin] staff benefits and they did not anticipate as much overtime.

Rep. Specking then asked Mr. Mullin to explain the bank payment system. Mr. Mullin told the Committee that at present, state employees receive a warrant with their pay check. Under the bank payment system, the money will be deposited directly into the employee's bank account (optional benefit). This will mean writing fewer warrants and will prevent delays experienced through the mail system.

Rep. Specking pointed out that the bank payments system should save the Division money rather than cost more. Mr. Mullin said it would be true in that they would write fewer warrants, but as far as activity, the Division would still be paying a person to handle the system. He added that there are additional complexities in giving warrants to a bank; if an error is made, the problem of cancelling the warrant arises. Mr. Specking pointed out that such a situation can happen now with individual warrants. Mr. Mullin said that was correct.

There being no further questions on this particular budget, Mr. Mullin and Mr. Masters left the meeting.

GEN. GOV'T. The Committee then heard testimony from Dr. Charles Northrup, Director of the Office of Telecommunications, Office of the Governor.

Office of  
Governor

Telecom-  
munications

Dr. Northrup informed the Committee that this budget consists of a request for the ATS-F (Applications Technology Satellites) experiment. He stated that the entire FY 74 budget for ATS-F was funded by revised program through the Budget & Audit Committee, and therefore, the copies of the budget before the Committee do not reflect authorization figures for FY 74.

Dr. Northrup stated that the total FY 74 budget was \$1,143,541. The FY 75 request is for less than that amount (\$818,900). He stated that the FY 74 money engaged in design, production of materials and installation of hardware. All funding comes through federal funds. There is no request for new positions in FY 75. All positions needed are on board now and were allowed through revised program requests.

Dr. Northrup told the Committee that the satellite will be launched in April and will be available for experimentation until May of 1975 (following a 60 to 90 day check-out period). Programs will be transmitted up to the satellite and down to 19 locations in Alaska.

Dr. Northrup then distributed copies of a program summary (see Office of the Governor, departmental file) to members of the Committee. He stated that there was a more comprehensive document consisting of 80 pages that could be made available to the Committee if they wished.

Dr. Northrup explained that the ATS-F is a new departure in satellite technology because it uses a different frequency and power level. It can deliver both audio and video systems to earth stations which are much smaller than those used in the past. He stated that the television terminals will cost about \$5,000 each as opposed to \$250,000 for earth stations dealt with in the past.

Dr. Northrup said that his office had just met with three consumer committees (members of which were drawn from receiving communities) to ask them to pass judgement on the programs offered by the satellite.

Rep. Freeman then asked if federal funding for this project would continue. Dr. Northrup stated that there is a definite duration for the program, which will end in late May, 1975. After that date, the satellite has been promised to India. He said his office has had correspondence with HEW in Washington, D.C. regarding the future of the earth stations; Dr. Northrup said the earth stations may remain in the state for some future commercial use.

Rep. Freeman then asked what will happen to those people working in the program once the program is completed. Dr. Northrup said no one in the program has any expectation of employment beyond June 30, 1975.

Rep. Specking then asked how receiving sites were chosen for the program. Dr. Northrup said that they were chosen originally by the Educational Broadcasting System which wished to include locations in Southcentral, Southeast, the Interior, etc. This was done in order to get three different linguistic heritages involved for the villages. Within the main geographical areas, there were arbitrary location choices.

Dr. Northrup explained that the satellite will concentrate over a very small area compared with beam-width coverage of other satellites.

There being no further questions or discussions, Rep. Saylor thanked Dr. Northrup for his presentation.

Adjourn: The meeting adjourned at 4:50 p.m.

AFTER RECESS  
HOUSE FINANCE COMMITTEE  
February 28, 1974  
1:40 p.m.

**Present:** All members with the exception of Representative Warwick. Also present were the following: Kent Dawson, Fiscal Analyst for Legislative Finance; Myrt Charney, Director, and Wayne Weeks, Budget Analyst for Budget & Management; Mr. Robert Gates, Benefits Administrator for the State.

GENERAL GOV'T. Representative Freeman, Chairman, called the meeting to order and turned the chair over to Representative Saylor, Chairman of the General Government budget subcommittee.

**P.E.R.S.** Representative Saylor then asked Mr. Gates to present a brief overview of the Public Employees Retirement System budget.

Mr. Gates stated that the basic increase in the PERS budget is for additional staffing which had previously been authorized through revised program requests for the current year.

Mr. Gates stated that there were seven positions in the retirement office, three being in PERS and three in the Teachers' Retirement System.

Mr. Gates informed the Committee that the TRS system has undergone complete redesign, but at present, complete redesign of the PERS system has just commenced. Mr. Gates stated that the level of service rendered by his office has been inadequate and they feel that their present level of staffing can produce a type of service which the board members and participating employees have strongly suggested.

Mr. Gates said the major increase in the budget is in Personal Services which has jumped from \$89.7 to \$136.3, an increase of \$46.6. The other change is in Contractual Services which has increased by \$12.6.

Mr. Gates stated that \$20,000 will be used to conduct an annual audit to be performed by an independent CPA firm; he added that the \$20,000 figure was an estimate but was based on the fact that by entering a year's contract, a lower price will result.

Mr. Gates told the Committee that the \$12.6 increase in Contractual Services is only a net increase; there is a total increase of \$20,000. The net figure of \$12.6 is due to a reduction from a non-recurring military study.

Mr. Gates then stated that the contracting with an independent CPA firm for the annual audit is done on a regular basis throughout the country with retirement systems.

Mr. Gates then said that his office anticipated that the data on active public employees will be converted to the new system by September, 1974. He stated that he did not foresee any need arising for additional staffing in the office in the foreseeable future, even with additional employees coming into the system.

Mr. Gates stated that as of January 1, 1974, 800 employees joined the PERS system from Anchorage and Wrangell; this will not have a significant impact on the budget request as set forth.

Rep. Saylor asked Mr. Gates about last session's discussion regarding reversion to the uniform contribution rate. Mr. Gates said that legislation did not pass, but the system was able to accomplish a uniform rate within existing statutes. It was discussed with the Attorney General's office, and it was possible to implement it without passage of specific legislation.

Rep. Saylor asked whether participating local governments' contributions went up or down. Mr. Gates replied that in each instance, regardless of the level previously, their contributions went down approximately 50%.

Rep. Saylor then asked if the independent audit was paid out of the General Fund or the Retirement Fund. Mr. Gates replied that it will be funded through Retirement Fund money.

Rep. Saylor then asked if all the funds utilized in other areas were from the General Fund. Mr. Gates stated that the system itself pays.

Rep. Haugen asked about municipal employees' participation. Mr. Gates stated that each employer participates to the extent of membership in the total.

T.R.S.

Mr. Gates then provided a brief overview of the Teachers' Retirement System. He stated that the redesign of this system is virtually completed at this point; Mr. Gates said he was pleased with the redesigned system and what it has accomplished. In processing September contributions, the retirement office learned that 29% of all contributions were being made in error. He said that it is physically impossible to audit such a volume of contributions. He said that the system was designed which can mechanically accomplish the majority of auditing and which can spell out what errors have been made and what corrections can be made; the responsibility for the correction is then put back on the employer who is making the deductions. By identifying this for the employer, the retirement office is finding that the employer is able to report much more accurately and hopefully, much more promptly. Mr. Gates said theirs is one of the model systems in the country now in the retirement area.

Rep. Saylor asked when the design would be completed. Mr. Gates stated that the system is now in operation under the new design, but they are now in a stage requiring special management reports, information reports, etc.

Rep. Saylor asked if the retirement system is paying the cost of the redesign, a figure amounting to \$80,000 (\$31,000 for the first phase, and \$50,000 for the second phase). Mr. Gates said that the \$80,000 figure was too high. The \$31,000 for Phase I was not paid as such because of the termination of the contract; therefore, the total cost is \$66,221. Mr. Gates said a contract for Phase I had been made with Arthur Anderson Company for \$31,000 but no payment was made.

Rep. Saylor asked if there were any suits pending. Mr. Gates replied that there were not, to his knowledge.

In response to Rep. Meekins question regarding the operation of PERS and TRS, Mr. Gates stated that they are separately established systems with unique and different benefits. There are uniform contributions for both employer and employee. Mr. Gates explained that by statute, the Legislature approves their budget which is why they must appear before the Finance Committees.

Rep. Specking asked Mr. Gates to explain more fully the termination of contract with Arthur Anderson Company. Mr. Gates stated that Arthur Anderson performed Phase I of the contract to redesign the retirement system, essentially to the satisfaction of Mr. Gates' office. Mr. Gates said that Phase II was entered into which called for additional funds--approximately \$67,000. About two weeks after the contract had been signed, Mr. Gates was notified that a gross error had been made, and instead of \$67,000, the cost would be \$180,000. At this time, the legal counsel for the Arthur Anderson Company came to Juneau. Mr. Gates said it was his feeling, and he so recommended to the Commissioner, that continuation with that firm be abandoned immediately unless they were willing to honor the original contract. At the time of their signature, they did not realize all the work that had to be done. Mr. Gates felt that three weeks had not made that much difference, and it was his office's opinion that if they could get the contract completed on the same terms agreed to for the original amount of \$67,000, that would be the proper way to proceed. Mr. Gates said they had no course of action other than to file suit, but the data in his office was of such volume and in such a "jumble", that the main point was to get the job done. Mr. Gates then stated that their position was that they were not paying for the work being done because of the breach of contract; they then proceeded to enter into a contract to get the redesign completed.

Rep. Specking asked if the Arthur Anderson Co. was adamant about being unable to complete their work with only \$67,000. Mr. Gates

replied that that was correct. He added that the company wanted it understood that they could not fulfill the contract with that money, and they were not willing to proceed until something was done.

Mr. Gates stated that as he recalled, this occurred in mid-April of 1973 through early May. Mr. Gates said that he had approximately 8,000 records that had to be converted by September. He called an Anchorage firm which would not take on the job because it was too big and required too much time for their employees to remain in Juneau; the per diem cost would be too great. Mr. Gates then checked with another firm whose thoughts were the same. Mr. Gates was advised that any firm that must bring in analysts and programmers for an extended period of time would not complete the contract.

Mr. Gates said they contacted a local contractor who was willing to do the work; the contractor actually accomplished more than was contemplated. He then stated that having the contractor close by to enable modifications and discussion between the contractor and the retirement office helped accomplish a great deal as far as communication and understanding of the redesign process. Mr. Gates said he felt the state "got a good deal".

In response to Rep. Saylor's further questioning, Mr. Gates said they were satisfied with Phase I as completed by Arthur Anderson in that the retirement office felt the company had done a relatively thorough job; however, there were some questions that remained.

Mr. Gates said it was his impression that the firm seemed to be "delighted" to get "off the hook". When this problem occurred, Arthur Anderson was willing to talk about payment for Phase I in figures below \$10,000. Mr. Gates added that the redesign system was set back by having to reacquire a new contractor.

Rep. Freeman then asked Mr. Gates to provide the Committee with the ratio of contribution between employer and employee. Mr. Gates said that for the TRS, the employer and/or state pays 11.2% while the employee pays 7% plus an additional 1% if they choose to elect a supplemental option.

Rep. Freeman stated that when money comes from the TRS fund, you are talking about money coming from the state for teachers. Part of that money does come out of the state treasury. Mr. Gates stated that Mr. Freeman was correct, but explained that the employee puts a certain amount of his salary into the retirement fund, and the employer (the state) puts in a certain percentage as well. If the employee resigns, he may collect all his retirement funds; the money that is given to him, however, is only the amount he put into the fund, and not the percentage that the state contributed. The employer's money does not reach the employee until he retires. Mr. Gates said that analysis has been made of how many employees may leave the state's employ and withdraw all funds in their retirement; a projection has also been made with regard to how many people may also retire. A figure is then set as a

contribution to the retirement fund, paid both by the employer and the employee. Out of every 100 people employed, only 2 or possibly 20 will retire and receive benefits; the analyst takes that into consideration and then develops the rate.

Rep. Barber then asked if their payment to the fund is predicated on the actuary computation. Mr. Gates replied yes.

Rep. Specking then asked if the money is left in the fund if the employee resigns and does not apply for the money; or is there an automatic refund?

Mr. Gates stated that currently, it is automatic and requires termination and a request in writing for the refund. Following legislation passed on HB 266, there will be an automatic refund for those people with less than vested interest or \$1,000 balance, whichever is less. This will result in persons who during their first year of employment have accrued \$1,000 less in their retirement fund receiving an automatic refund upon termination. Those persons having over \$1,000 in the fund will have to come in and request the refund. Mr. Gates said that perhaps these people may intend to return to employment under the state which will create a burden of administrative paperwork to have money withdrawn and then put back again.

Mr. Gates said that in the case where an employee resigns and requests a refund, the state share remains in the fund; it actually goes into an employers' equity account. At the time of retirement, the money is transferred to the active employers' account.

The employee is not entitled to any employers' contributions until the employee goes on to retirement, Mr. Gates said.

Health  
Insurance

Regarding Health Insurance, Mr. Gates stated that the volume of activity has increased sharply in this program with the addition of dental, audio-visual provisions for the state (and for other employees at a later date). This has increased servicing and inquiries to see that claims are paid promptly; therefore, the requested position is necessary. The present employee on board is unable to continue to provide proper service. Mr. Gates said this is quite a time-consuming area. In response to Rep. Barber, Mr. Gates said that the requested position is not one that was previously funded by federal funds; it was funded through revenue sharing money. Rep. Barber said he was referring to the fact that the position had originally been approved through a revised program request; he said it was the feeling of the Budget & Audit Committee on revised program federal funding that upon termination of the federal funds, the position will cease. Mr. Gates said this position does not apply to those circumstances.

Territorial  
Employee  
Retirement

Regarding Territorial Employee Retirement, Mr. Gates stated that currently there are only three individuals drawing benefits under this program. This is a program that has carried over for a number of years.

There being no further discussion on Territorial Employee Retirement, the Committee considered the FICA BRU.

FICA

Mr. Gates stated that the only significant change in FICA is the increasing responsibilities that the federal government is requesting of the retirement system. Mr. Gates said they just completed an audit that he received yesterday which was sent by the federal government; the audit was very complimentary but suggested that the office should be using more individual contact. Mr. Gates stated that they are now having a drive to get as many of the communities who have been improperly reporting to the office. Mr. Gates said that many have been reporting to the IRS. Mr. Gates added that this contact will add 60 more reporting districts, and on a quarterly basis, the retirement office will be able to accommodate them. Mr. Gates said this explained the request for additional funds in the areas of communications and travel.

Mr. Gates explained that this is funded from an administrative fee paid by each of the reporting employers. Mr. Gates said that their receipts have been such, that they have temporarily discontinued the fee of 1/8 of 1%; there is now a fund built up, and for one year, no fees will be charged.

There being no further questions or discussion on the retirement system budget, Mr. Gates left the meeting.

At Ease:

The Committee had a brief at ease before continuing with the Communications budget.

AFTER RECESS  
February 28, 1974  
2:00 p.m.

Present: The meeting was called back to order. Those present were Representatives Freeman, Saylor, Barber, Specking, and Ose.

Representative Freeman, Chairman, turned the meeting over to Representative Saylor, Chairman of the General Government budget subcommittee.

GENERAL  
GOV'T

Mr. Mel Hoversten, Director, Division of Communications, Department of Public Works, and Mr. David Fulton, Division Deputy Director, were present to present testimony on the Communications budget.

Communi-  
cations

Mr. Hoversten told the Committee that their budget was a maintenance budget. He then referred to Remote Village Radio.

Remote  
Village  
Radio

Rep. Saylor noted a large increase in Contractual Services (\$9.4 to \$19.4). Mr. Fulton stated that all costs have gone up, and \$19.4 is what is needed to continue the same level of service. Mr. Fulton said they contract with airlines which charter out equipment and servicemen to repair equipment.

Rep. Saylor then noted a \$5,000 increase in Commodities. Mr. Fulton explained that transmitter tubes on side-band radios went up 73% in cost last year alone. Other commodities have increased 24%. Mr. Fulton added that electronic parts are becoming scarce due to the fuel shortage, and therefore, prices are going up drastically.

Rep. Specking asked Mr. Fulton how many remote stations there were in the state. Mr. Fulton replied that at the last count, there were approximately 60. Rep. Specking then asked if they had been converted to single-side-bands. Mr. Fulton said that almost all of them had been converted; 8 must still be converted and will cost \$2,000 each.

Rep. Specking then stated that he had heard a "firm" statement that RCA wants out of the business with some stations. Mr. Hoversten stated that RCA did want to get out of the business, but cannot. Mr. Fulton stated that this happened around Sunrise. It was learned that if the FCC approves, RCA will discontinue stations, but they promised the commission that no one would be without communications. The Anchorage FCC approved discontinuation of Unalaska, Kotzebue and King Salmon; plans had been made to discontinue the station at Cordova, but the station could not make the conversion. Mr. Fulton said that Hope, when service is discontinued, will have no one to work in Anchorage; RCA will have to give Hope service if no one else picks up the service. He then added that Bristol Bay service that is discontinued would be covered from Cold Bay or Kodiak.

Rep. Specking stated that the level of service that RCA must furnish should be defined somewhere in the contract. Mr. Hoversten said they did not have a contract with RCA; RCA however, may have a contract with the Public Utilities Commission. Rep. Specking then said that in most remote areas, RCA does not provide adequate monitoring service.

Teletype

Mr. Fulton said that Communications had gone in with the Department of Administration to upgrade the teletype system. A study has been made, and they are now planning to put it into operation. Part of the increase in Contractual Services goes toward the Communications' portion of the upgrading.

Rep. Specking asked why the division had requested a Teletype Operator for Fairbanks. Mr. Fulton said that there was an understanding to furnish the Teletype Operator there on a long range plan that went along with the Department of Administration's study. Mr. Fulton said they are now switching to a lower density system. Mr. Hoversten said they will need \$26,000 anyway to cover a higher speed system. The increase is also due to the fact that the PUC turned over an area to Copper Valley Telephone from RCA. Copper Valley Telephone is charging more for the lease of circuits.

Support  
to  
State  
Agencies

Mr. Fulton said that they were requesting one Communications Engineer for Anchorage and three Electronic Technicians for Juneau, Anchorage, and Fairbanks. Another Electronic Technician had been approved through Revised Program Request No. 74-13, to cover airport communications; the division is now picking up that position.

Mr. Fulton explained that the Juneau technician will help on the Marine Highway system. He said there is quite a problem with the ferries in that they are in port for such a short time; this means the technician must ride with the ferry; this results in one man being taken from the Juneau shop.

The Anchorage technician will help on the large percentage of equipment there.

Rep. Saylor noted that there was an increase in Contractual Services. Mr. Fulton said that there were several charters for helicopters, and contracting of vehicles needed for the operation. Mr. Hoversten said the division now does not have any money to rent even a vehicle from the Department of Highways.

Regarding the increase under Commodities, Mr. Hoversten said there was an increase in all prices. He then informed the Committee that the Department of Highways had purchased from the State of California (at the time of Alaska's statehood) communications equipment that was in very poor condition. Now there is a problem of obtaining parts; the units are all too old and there is a high cost of repair. Mr. Fulton said they will need more technicians if they keep this equipment.

Rep. Specking stated that he thought there was a federal deadline for the conversion of stations. Mr. Fulton replied that the deadline was 1977. Mr. Hoversten said that some stations should be covered now.

He then informed the Committee of the danger of malfunctioning communications equipment: If, for example, one of the vessels under Marine Transportation sails with improper functioning equipment, and the malfunction is learned about, the state is subject to a \$500/day fine. If an accident occurs to the vessel, the state is wide open for litigation.

Recess: There being no further questions or discussion, the Committee recessed at 2:45 p.m.

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Recess: There being no further questions or discussion, the Committee recessed at 2:45 p.m.

After Recess  
2:55 p.m.

At this times, Mr. Anders, Administrative Assistant to the Governor, and Mr. Weiss, Administrative Officer in the Office of the Governor, were present.

GEN. GOVT.  
OFFICE OF  
GOVERNOR  
Exec. Off.

Mr. Saylor requested an overview of the Executive Office budget. Mr. Anders said that the Executive Office is charged with implementing and administering programs promulgated and approached by the Legislature and is also charged with the responsibility of coordinating operations of all state government functions. The budget they are requesting this year is simply a 5% inflationary increase over the budget requested last year. There are no new positions being requested and he said that as far as he is aware there are no changes in any category above the 5% inflationary increase. He asked Mr. Weiss for confirmation on that point.

Mr. Weiss said that the only change is a \$71,000 decrease, a major portion of which is the deletion of \$100,000 for Pipeline Information which was put in last year. There is a \$13,000 increase due to a change in the computation of personal services -- being done through the whole budget -- and there is the 5% inflation increase. There was some committee question on the subject of the personal services increases, and Mr. Weiss restated that this is merely a change in the method of computation of benefits. Mr. Charney said that the benefits decreased, merit increases brought it up again. Last year's 4% has been restricted.

Mr. Haugen asked how much of the pipeline information money has been spent. Mr. Weiss said that he didn't know, but that as far as he is aware only one or two payments have been made. [Later on the information was sent up from the Governor's Office stating that \$24,965 has been spent.]

Exec. Mans. Turning next to the Executive Mansion, Mr. Anders said that there are no increases. Increases are due to the 5% inflationary increase. There is again a small difference in personal services due to the different method of computing the personal services.

Contingency Mr. Saylor said that last year they lapsed \$225,000 in the Governor's Contingency Fund. He asked how much has been spent this year. Mr. Weiss said that basically what has been spent to date has been for contractual payments with Bill Ogle who has been doing criminal justice research. Total expenditure thus far has been \$22,500. Mr. Saylor asked if that hadn't been cut out of the budget last year and Mr. Charney said yes. Mr. Saylor requested a copy of the contract. He also asked them to find out if this is to be an ongoing contract (the contract expires in June, 1974.)

Police St. Mr. Dick Pegues was present at this time to present the budget  
Council for the Police Standards Council. He explained that the Police Standards Council (PSC) was established by the last session of the legislature. The purpose of the council is to set minimum hiring standards for police officers and then to set training standards.

The Council has seven members, and the police chief of Fairbanks is Chairman. Last year there was \$48,000 in federal dollars. This year there will be \$30,000 (and \$29.4 thousand state). The federal money in this program is seed money -- it is not going to be a continued appropriation.

Mr. Pegues said that it was initially planned that the Council would hire one contract employee plus secretarial services. To date, the contract has not been hired out. He said that he understands that the contractor is to come on board the first of April this year.

The first job of the Council is to classify policemen. They are starting with books and keeping a book on each policeman. Under the present statute, all policemen are on a temporary status and are not considered fully commissioned until they meet the standards set by the council. He stated that the books are now in preparation.

Mr. Saylor noted that last year the federal-state match was 6 to 1 and that this year it is only going to be 3 to 1. Mr. Pegues said yes, that this is because the match comes from LEA and normally they do not fund on a year after year basis.

Mr. Haugen asked if it is correct that this is going to set the qualifications for state hire of police officers, and Mr. Pegues said yes. Mr. Haugen asked if there will be different standards for those in the rural villages, and Mr. Pegues said that he thinks so.

Planning Resch. Next the committee took up the Planning and Research budget. Present were Mr. Bob Pavitt, Director of Planning and Research, and Mr. Jim Wiedeman. Mr. Saylor requested an overview of the budget.

Mr. Pavitt said that Planning and Research is responsible for two major programs: coordination of state planning activities to make sure that they are going in the same general direction; and the development for the Governor and Legislature of overall objectives of the state as developed by legislative intent, legislative policy, public hearings, etcetera.

Right now, the biggest project they are involved in taking research down for the Federal and State Land Use Planning Commission and publishing a series of regional profiles giving an overview of resources of the state, physical and economic situations, as they exist in a point of time in Alaska, and developing planning activities for all sectors of the state.

Mr. Pavitt continued, stating that the major change in this budget is \$100,000 for developing a state employees' rural housing study to determine needs, resources, charges, and methods for providing needs. He explained that the state provides on a rental basis housing for a number of state policeman, Fish and Game people, SOS teachers, and other employees in remote areas. This housing ranges from trailers to somewhat ornate houses. The rentals are not fixed and do not seem to bear on the kind of house or person's salary, but rather seem to be arbitrary. This study will be an inventory of available housing, what is needed, rates charged, so that the situation can be assessed and a determination of policy made from there.

Mr. Saylor asked if such a study wasn't done recently by Community and Regional Affairs, and Mr. Pavitt said no, that that study was not on state owned housing. There was an overview done of housing throughout the state but this is specifically on state owned or rented housing for state employees in rural areas.

Looking at the overall budget, Mr. Wiedeman said that their maintenance level for FY75 is only approximately 2% over their 74 maintenance level. This is primarily because of a lack of federal funds that will be available this year. Many of the federal programs have been defunded, impacted, or suspended. He said that they are expecting funds only for housing and urban development this year, although they have been told that they will be receiving an increase in some funds.

The main contractuals they are concerned with is money they may be receiving from Housing and Urban Development, which is approximately \$286,000. He said that they show in Contractual Services a maintenance level of \$310,100,000. Mr. Saylor asked of the federal funds that they will be receiving, what do they anticipate are the projects that will be funded. Mr. Pavitt said that the regional profile series is the major one; they will be putting just about all of the contractual services money except for the \$100,000 for the housing study, into that particular program. They will be operating several other programs under their general fund allotment.

Mr. Pavitt said that they have one other function; they are directed by the Governor to coordinate closely with Federal and State Land Use Planning and they are presently engaged in a mammoth project of reviewing the 28 environmental impact statements submitted to the Congress along with Secretary Morton's statements and they will be working very closely with the Commission in trying to come up with a piece of legislation which will be introduced by Senator Jackson which will definitively put together the state's views before the Senate Interior and Insular Affairs Committee. He said that the other state departments will be submitting their comments through the Planning and Research office and Planning and Research will put them together.

Mr. Saylor asked if when they apply for grants they normally assign priority as to which is most important to be done first. Mr. Wiedeman said yes -- that when they apply they apply on the basis of projects and when they have put in their application for funds they put in for those that they wish to complete.

Mr. Saylor asked how many project they have now underway using federal funds, and Mr. Wiedeman said 18 are presently underway.

Mr. Saylor asked how many they have planned for FY 75. Mr. Wiedeman said that they will have completed the 18 they are working on this year and they contemplate having just one major project, the regional profile project discussed earlier, which involves 6 minor projects. They will also probably be involved with Coastal Zone Management.

[Mr. Ferguson came in at this time.]

Mr. Haugen asked if the \$100,000 for the rural state housing project is general fund money, and Mr. Wiedeman said yes. It does not qualify for federal funding. Mr. Haugen wondered how it could cost this much. He asked if they have any idea at this time who they will get to work on that. Mr. Pavitt said no, that it was assigned to them because they have a lot of experience in Planning in Research in working with consultants. He said that he does not believe that the cost will be that much and if the scope of the study isn't that large they will lapse the rest.

Mr. Haugen asked if this report will include present charges, and Mr. Pavitt said yes, and that it will also have a detailed inventory on what type of housing and what charges are being made to whom. There is now no integrated, overall policy for the provision of housing for employees in remote areas and this is what the study would hope to develop.

Mr. Wiedeman said that in the past they have had several instances in which an employee of one department would be renting an identical space from the state as an employee of another department, and yet there would be a considerable disparity in the rents. This has caused some problems.

Mr. Charney felt that another benefit of this study will be that te portion of these rentals or construction or purchase of facilities by the state have heretofore been hidden in the budget, and now they will be able to be looked at. The legislature will be able to have a real grip on the dollars and cents of what the state is paying -- how much of a subsidy they are giving.

Mr. Freeman reiterated Mr. Haugen's feeling that this is a lot of money for such a study and couldn't see why this couldn't be done by each department. Mr. Pavitt felt that one reason is just the understaffing

of the various departments and the amount of time it would take.

Mr. Freeman felt that some of this housing was probably not necessary. Mr. Ferguson noted, however, that in Barrow and Kotzebue, for example, adequate housing is definitely not available. He mentioned that in Kotzebue, the BRU for the Division of Aviation shows that they are acquiring a modular unit trailer to rent out to the airport manager for \$50. There is a state trooper living in a particular building there in which he must move his entire family into the kitchen if the wind blows. The state is renting this \$190 and charging the trooper \$375. In Barrow, he just a few weeks ago heard that the Deputy Commissioner says he will have to take a trooper out because there are no quarters available. The one alternative for housing they have it to pay \$525 a month in a new building -- and that money would come out of the Trooper's pay. He said that the Governor has introduced a bonding bill requesting a building for troopers be built in Kotzebue and Barrow.

After additional discussion along the same lines, meeting adjourned at 3:40.

Quinhagak and Kuskokwim. There is a small increase in outside travel, increase in contractual due to increased air charter rates, and other cost of living increases. There are reductions in a number of programs: Kodiak Tanner Crab Monitoring, Prince William Sound Tanner Project, Cook Inlet Herring Project, Cook Inlet Tanner Crab Project, Southeast Salmon Transplanting, Copper River Subsistence Fishery, and Kuichak River. He noted that some of the increases were due to expansion of the Tanner Crab Indexing program in the Kodiak area.

GENERAL  
JVT.  
REVENUE

Messrs. Brooks and Rosier left at 2:15 and Department of Revenue Personnel entered the meeting.

Present at this time were Commissioner R. D. Stevenson of the Department of Revenue, Ralph Kimlinger, Deputy Commissioner of Revenue, Lawrence C. Eppenbach, Deputy Commissioner of Treasury, Philip Wall, Director of Administrative Services, Frederick P. Boetsch, Director of Revenue Audit, Steffan Andersen, Director of the Excise Tax Division, Charles L. Pyles, Director of the Division of Motor Vehicles.

Also present were representatives of Budget and Management.

Mr. Saylor, subcommittee chairman for General Government, requested Mr. Stevenson to make an opening statement on his budget. Mr. Stevenson said that the Department of Revenue has responsibility for administration and enforcement of all tax laws; custody, management, and investment of State funds; regulation of Motor Vehicle Dealers; motor vehicle, fish, game, snow vehicle and other licensing functions; collection of motor freight carrier and bus transportation weight fees; distribution of certain shared revenues to political subdivisions; administrative services for the Alcoholic Beverage Control Board; administration of abandoned vehicles; and estimates of future state revenues. He noted that the Department serves more people than any other State agency. Representation of the private and business sections served in FY 73 include: 20,400 business license issued; 196,000 motor vehicle and 163,300 sports hunting and fishing licenses issued; 125,000 individual and 134,800 business tax returns processed; \$118 million in tax and license revenues collected with 13.1 million refunded through audit; and \$46.4 million in interest earned and capital gains received on investments. He mentioned that several new responsibilities were given the Department in FY 74. These include the Abandoned Vehicle Act of 1973, a new field office in Seattle and substantial new duties in Equal Employment and Collective Bargaining.

Mr. Stevenson requested Mr. Eppenbach to give the budget review of the Treasury Management Division. Mr. Eppenbach noted that the budget request as approved by the Governor is \$739,000. Mr. Saylor asked what the difference is between that and the Department's maintenance figure of \$756,800. Mr. Eppenbach said that he and the Governor disagreed about the way in which the merit increases were

calculated. The Governor was right, however, he ruefully remarked.

Mr. Saylor noted the \$20,000 increased cost in the Management and Retirement fund. Mr. Eppenbach said that this directly relates to the large growth in the two retirement funds.

Mr. Eppenbach stated that without the increase in ASHA, the general budget would have decreased for FY75.

Mr. Warwick referred to the professional fees and services in the budget, which include contractual management of North Slope Equity Account by Loomis and Kennedy; the general fund audit; A.G. Becker Return Measurement Analysis, North Slope Equity Account Safekeeping; Advisory fees for investment advice and accounting from Bank of America, and time sharing terminal software costs. Mr. Eppenbach briefly explained these various services and in response to questioning indicated that they are of definite importance and value to the state.

With reference to personal services, Mr. Eppenbach said that the Treasury Management Division has 15 individuals and they are compensated fairly high. The average is almost \$20,000 per person. They are not requesting additional personnel. He noted that, although Treasury does not need personnel increases, this does not mean that the rest of the department does not.

In response to additional questioning, Mr. Eppenbach emphasized that administering the system is separate from the investment of funds.

Motor  
Vehicles

Mr. Charles L. Pyles, Director of the Division of Motor Vehicles, was present from Anchorage. Mr. Saylor requested an overview of the Division. Mr. Pyles read from a prepared statement (see department file).

He said that the Division of Motor Vehicles has the responsibility of providing assurance that Alaskan vehicles will be registered and titled correctly and that ownership is valid. It provides all law enforcement with accurate information. It is charged with the responsibility of administration, identification of vehicles, notifying owners, and disposing of abandoned vehicles, and is further charged with collection and accountability of registration fees, title fees, A.T.C. Fees, drivers license fees, dealers fees and snow machine registration.

There was considerable committee interest in the Abandoned Vehicle Program. Mr. Pyles said that in Anchorage they have found that in this kind of program their cost per car is \$24. Since the price of scrap metal has gone up considerably, it is worthwhile monetarily for a contractor then to contract to do this kind of service, and he said that there are a few contractors who have expressed an interest in this endeavor.

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Mr. Saylor asked Mr. Pyles his opinion on HB548, single license plates, and Mr. Pyles said he is very much in favor of it - and estimates a \$20,000 per year savings from it. Major changes in the budget are: 3 new positions established by RP74-129 from a lump-sum contractual services appropriation of \$50,000 related to the abandoned vehicle program; \$40,600 for new forms and license plates; \$100,000 federal money obtainable for actual removal expense of the abandoned motor vehicle program (this amount not guaranteed); and one new investigator for abandoned vehicle program.

Mr. Specking was concerned that, like last year, \$50,000 would be spent in FY 75 on the abandoned vehicle program and there still would be no cars removed but only administrative costs provided for, since it is uncertain as to whether or not the federal money will be made available. Mr. Pyles emphasized that the structure to run a program had to be the first step, however. The committee was very interested in this program and requested more information be provided them, specifically being interested in what kinds of bids contractors might be willing to make.

#### Property Tax

Mr. Jerry Hire was present from the Property Tax Division. He explained that this division was established to oversee the Ad Valorem Tax on oil and gas properties approved during the Special Session. This program began January 1, 1974. The budget presented is taken directly from the fiscal note prepared during the session. He said that he has no recommendation or changes to make on the budget.

Mr. Specking asked how many of the people are on board now, and Mr. Hire said two people - he and a secretary. The personnel board is working on the register for the other positions now. He anticipates that they will be ready in about 2 weeks.

Mr. Specking asked if he felt there will be enough construction going on during the first year to justify all these people. Mr. Hire said that one of the things they have to do is find the people and get them training and that will take some time. Then he feels that he will have a good, operating staff when the need is there.

Mr. Specking asked what the consultants will be used for, and Mr. Hire said to train staff.

#### Excise Tax

Mr. Steffan Andersen was present from the Excise Tax Division. He said that this division is charged with the responsibility of administration, enforcement, assessment, collection, legislative research and statistical reporting of the alcoholic beverages, cigarettes, motor fuels, and oil and gas tax programs. Additional responsibilities now include the researching of new sources of revenue, researching appropriate structures for oil and gas tax and estimating all revenue

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pertaining to the state. In fiscal year 1972-73, the Division contributed \$32.9 million to the treasury. Estimated growth for excise tax collection for FY 74-75 is 3.5%. Any reduction of appropriation would result in a curtailment of audit activities and would reduce the chances of the state collecting its fair share of tax.

The only significant increase in the budget is \$28,100 in contractual services for pro-rates costs of the new State Office Building.

Mr. Saylors asked if it is true that the oil companies paid only \$25,000 in income tax to the state, and Mr. Fred Boetsch, Director of Revenue Audit, said that that is true.

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GENERAL  
GOVERNMENT

DEPT. OF  
REVENUE

Revenue  
Audit

Mr. Fred Boetsch, Director of Revenue Audit, gave the Committee a copy of an analysis for FY 1973 showing the net audit gains as compared to cost of operation and showing total net gain versus total cost and gain for every dollar. Included are types of Expenditures (See Attachment I of these Minutes.)

Mr. Boetsch explained that their expenditures were broken into two types: 1) Basic level, which includes forms and provides clerical support for the audit staff; and 2) audit activities, which is the main thrust of the request this year.

Mr. Boetsch pointed out that these projects didn't include pipeline impact.

He told them to notice the item on the handout entitled Individual Income Tax: Returns with High Audit Potential and Returns Actually Audited At Maintenance Level. This indicates that they actually audited 54% of the total returns with high audit potential.

The second major area is Corporate Income Tax returns. It is estimated that the average tax rate nationwide is 6%. For FY 71 they should have taken \$7,248,000 at that rate. At their actual rate of a little better than 9%, it would have been a little over \$11,000,000. \$6,050,000, or 54% of it is attributable to the State.

Mr. Boetsch said this was a nationwide formula and he said the Tax Commission did a study of 1969 Corporate Income Tax Returns and found that Corporations reported \$93,000,000,000 worth of taxable income to the Federal Government. To the states they had reported \$45 billion worth of income, so the ration is 50%.

Mr. Boetsch explained that Alaska had adopted the Multi-State Compact to resolve this problem. We adopted the regulations in 1973. It revolves around the problem of self-apportionment and what kind of income can be included for apportionment. It seeks to take all net income and apportionment to all states in which it does business. No more than 100% of business is taxable, but at the same time all is attributable to activities in some portion of the State.

Mr. Boetsch explained that about \$1 million worth of taxes is under protest. They are being sued in the State of New York to disband the Multi-State Tax Compact (U.S. Steel Case). The corporations involved in the suit have refused to allow us to audit. Assessments have been made on the basis of information our auditors have been able to come up with.

Mr. Warwick referred to the situation they had on the floor that day where an amendment would have been incorporated into Croft's bill repealing depletion allowances. The amendment was defeated, but he

but he thought it an interesting point that oil companies paid only \$25,000 worth of taxes in 1973. That brought up the question of how much the depletion allowance had to do with tax liability.

Mr. Boetsch said the problem was the corporations haven't been filing in accordance with the regulations Alaska has adopted.

Mr. Boetsch told Mr. Warwick he would get the figures for the total depletion allowance for them. He also said he would get the Foreign Tax credit information for them.

Mr. Specking thought that the depletion allowance really didn't make any difference one way or another. Mr. Boetsch wasn't sure how much of the question was due to depletion allowance and how much was because they weren't filing in accordance with Multi-State Compact regulations. He said this was something he could find out for them.

Mr. Barber thought they should know the effect the depletion allowance would have on state revenues. Mr. Boetsch said that according to projections, it would have a definite effect on 1978 and 1979 income when they first start including ALYESKA. Those figures would be \$7.5 million and \$8 million respectively.

Mr. Warwick asked whether returns of public corporations were confidential information. Mr. Boetsch said yes, they were protected under the publicity statute just like any other taxpayer, but he said he could give statistical information.

Mr. Warwick asked to be supplied with a definition of what qualified as an oil company. Mr. Boetsch agreed to do that.

Mr. Specking was concerned that some of the 55,690 returns reported must have been so minimal as to not be worth auditing time. Mr. Boetsch explained that they only audited returns selected with high audit potential, and they averaged about \$88 on individual returns which they audit.

Mr. Specking thought it would be better to concentrate on higher things, and Mr. Boetsch explained that there were mechanical errors they can catch on the initial look through, and these were simple adjustments.

Mr. Barber asked whether returns with high audit potentials were largely those referred back by the federal government. Mr. Boetsch said no, that they had their own scanners.

Mr. Warwick asked if there was any good way of collecting taxes if the U.S. Steel case was thrown out. Mr. Boetsch replied that if that happened the Court would tell them how they should collect, or one of the bills now in Congress would pass telling them what they

can assess and what they can collect.

Mr. Warwick asked what would happen if the won, and Mr. Boetsch explained that interest would accrue. He said that they have filed returns, so there was no problem with not filing returns or filing late.

Mr. Boetsch referred to page 119 of the General Government workbook which itemized the major changes in FY-75 Governor's Budget:

(1) \$30,500 Income Tax Scanner Crew - one full-time and five permanent seasonal scanners. He said that up until now this has been paid for out of overtime money. He explained that the calculated tax error can be adjusted and reported to the taxpayer on the stub attached to the refund check. In the last two months they have made adjustments netting \$17,000. They expect \$50,000 to \$60,000 after they get through the heavy filing period.

Mr. Boetsch explained that because of this Scanning crew, adjustments have gone from an average of \$36 to \$88. Now returns that don't need auditing can go through the system in three to four weeks (that is the average time, but it can be done in ten days).

(2) \$32,800 for two auditor positions to absorb increased workload brought on by Multi-State Tax Compact.

(3) \$14,800 for a new Auditor I to maintain the present level of audit. He would be located in Juneau.

(4) \$18,700 for additional clerical support in Juneau and Anchorage.

They have asked for additional clerical support to take care of increased paperwork, one for Juneau, and one for Anchorage.

(5) There is \$98,400 for our share of the new office building rent to be paid to ASHA.

Mr. Boetsch said that concluded his coverage.

Collection  
Division

Commissioner Stevenson introduced Mr. Larry Carroll, Director of The Collection Division. Mr. Carroll referred them to page 127 of the budget workbook, Collection of Delinquent Taxes. Mr. Carroll gave a prepared presentation, which he said the Committee could have copies of, if they desired.

The major changes in the Governor's budget include:

Seattle Office - Funds were appropriated in FY 74 for establishment of a Seattle Office. RP 74-35 approved distribution of the funds into positions and other line items. The Manager and Examiner

positions are essentially continuations of that office.

A Deputy Director is requested to provide necessary management and supervision of the Anchorage Field Office.

It was pointed out that the Seattle office was set up last November and from then until now, it has realized \$2,216.99.

Mr. Stevenson pointed out that from 1961 through 1967 they had been permitted to hire outside collection agencies or attorneys to make collections. What they want to do now is employ lawyers and start bringing cases to the small claims court.

Mr. Carroll explained that with an office in Seattle, the non-resident fishermen won't be able to get away anymore. Mr. Specking thought that the average commercial fisherman wouldn't even know about the office in Seattle. Mr. Carroll assured him that they do know.

Mr. Specking said that past experience indicates that the office had not been too successful. Mr. Saylor explained that from 1962 to 1967 it had been highly functional. He said he had all of the documents on it last year.

Mr. Warwick said he had been under the impression an RP was coming through on this, but Mr. Carroll said no, that this was in the 75 Budget Request.

ADJOURN

Meeting adjourned at 4:20 P.M.

ATTACHMENT I  
Department of Revenue  
Audit Division

	<u>Net Gains</u>	<u>Total Cost</u>	<u>\$ Gain per \$ of Cost</u>
<b>FY 1973</b>			
Individual Tax Audit	\$ 871,333	\$ 390,470	\$ 6.82
Corporate Tax Audit	1,791,749		
Miscellaneous Tax Audit	440,000	144,635	3.04
Field Audit	83,728	19,668	4.26
Central Files	--	88,301	N/A
<b>Totals</b>	<u>\$3,186,810</u>	<u>\$ 643,074</u>	<u>\$ 4.96</u>

	<u>FY 73</u>	<u>FY 74</u>	<u>FY 75</u>
<b>WORKLOAD:</b>			
Individual Income Tax Scan:			
Returns Received	118,400	130,200	143,250
Individual Income Tax:			
Returns with High Audit Potential	46,029	50,620	55,690
Returns Actually Audited at Maintenance Level	24,860	27,340	30,080
Corporate Tax Audit:			
Returns Filed	3,000	3,600	4,100
Miscellaneous Taxes:			
Licenses Issued	19,085	22,620	24,755
Business License Returns Received	14,737	17,421	19,065
Documents Received for Revenue Sharing	14,868	17,505	19,145
Withholding Reports Filed	31,500	34,375	36,500
Field Audit:			
Domestic Business with High Audit Potential	710	825	920
Multistate Business with High Audit Potential	550	600	675
Central Files:			
Documents to be Filed	237,330	261,241	285,070

After Recess  
1:40 p.m.

Present: All members were present with the exception of Messrs. Ose and Ferguson. Also present from the Department of Revenue were Messrs. Kimlinger and Couzin, and from Budget and Management, Ron Lind.

GENERAL GOVERNMENT  
Chairman Freeman called the meeting back to order and turned it over to General Government subcommittee chairman Mr. Saylor.

REVENUE  
Fish & Game  
Licensing  
Mr. Saylor asked Mr. Kimlinger to go over the Fish and Game Licensing portion of the budget.

Mr. Kimlinger said that there is \$20,000 in contractual services which goes to pay for some plates needed for vessel identification. In late 1972 they ran out of plates, too late for the 74 budget, and started issuing just numbers. This \$20,000 is needed in order to cover all the back plates, the rest of this year, and next year.

There is approximately \$11,400 additional in personal services. This goes to pay for an Accounting Clerk III. There has been a continued increase of about 3 to 5% on sport fish licenses this year, and an additional 7,000 licenses were issued last year because of limited entry, and there just is too much of a backlog for them to handle without increased personnel.

There is another contractual services increase, and that is \$7,000 for a machine accounting system. There are a large number of agents reporting into the central office in Juneau, and that amount of paperwork and accounting involved to do accounts maintenance, inventory control, and transmission of money is too much for their hand posting system.

These are the main changes in the budget, Mr. Kimlinger said.

[Mr. La Rocca came in.]

Mr. Haugen asked if they need those plates ever year, and Mr. Kimlinger said no, that plates are bought for a boat when it is bought and stay with it until it is sunk or destroyed. Normally they expect 10 years for the plates.

[Mr. La Rocca left.]

Mr. Warwick asked for an explanation of the Fishermen's Fund. Mr. Kimlinger said that out of the personal licenses, 60% is taken and goes into a fund from which fishermen injured are paid for hospital bills, travel incurred, etcetera. The fund is handled by Department of Labor. Mr. Warwick asked if the 60%

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is fixed by statute, and Mr. Kimlinger said yes. Mr. Warwick asked how much is left in the fund, and Mr. Kimlinger said he thought it was around \$40,000 but he was unsure and said that he would check for the committee and let them know.

Mr. Barber requested Mr. Kimlinger to check up on whether or not there is a 25¢ subsistence commercial fishing license, as it was his recollection that there is such a license. Mr. Kimlinger thought there was not but agreed to check.

Meeting recessed at 2:00.

After Recess  
2:30 p.m.

PUBLIC PROTECTION The committee began the close out on Public Protection. Going through element by element, tentative figures accepted by the committee are the same as those figures recommended by the subcommittee. (Staff is preparing a memo on the subcommittee changes.) Explanations for the figures are also included on the short form prepared for use in work on the budget closeout.

There were certain areas not closed out at this time. Those were: OSHA, Banking and Securities, Fire Safety, and in Military Affairs (National Guard), Executive Administration and Organized Militia Benefits.

Meeting adjourned at 4:30 p.m.

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Mr. Freeman turned the meeting over to Mr. Saylor at this time for the budget review on the Office of the Lt. Governor and Elections.

Mr. Larry Jones, a Clerk Typist III in the Office of the Lt. Governor, was present to testify on that budget. He noted that he is in one of the lowest paying clerical positions in the merit system and yet, since Mr. Boucher was unable to get back to town for this review, it fell to him to present the budget. This emphasizes the need in that office for an Administrative Assistant. Going through the budget, Mr. Jones said that in FY 74, the Personal Services maintenance level was \$96,400. This being an election year, however, they will need temporary hires which will increase this level. There is also an upgrade of a Clerk V in personal services. The request was \$28,000 over the maintenance level. The majority of this is due to the Administrative Assistant. He reiterated that the best evidence for the need for such a person is the fact that he, a Clerk-Typist III, is presenting the budget. Mr. Jones said that in the Lt. Governor's Office they are working with four positions, all of them clerical. With the amount of time that the Lt. Governor is out of the office, it is necessary to have someone there in an administrative capacity. He said that they had no one working with the Administrative Code for quite a while -- and that a lot of the duties the administrative assistant would be performing are duties that cannot be performed by persons with only clerical skills. In addition, Mr. Jones felt they needed someone to provide liaison with the Governor and his staff and with the boards and commissions which the Lt. Governor chairs. Here he mentioned several of those boards and commissions which consume much of the Lt. Governor's time. He said that there are numerous occasions when it is important that the Lt. Governor have someone to represent him -- but there has been no one in a capacity to do so adequately. Alaska is one of the few states in which the office of Lt. Governor does not have someone at an administrative assistant level to do work for him.

In travel, Mr. Jones said that Mr. Boucher himself has received no per diem this year. Funds have been so short that it has been necessary to really "juggle" them, and one method of doing this has been for Mr. Boucher to do without per diem. If Mr. Boucher's per diem to this point were paid, Mr. Jones said that there would be no more funds. They are requesting a \$3,600 increase for travel.

In Contractual Services, Mr. Jones said that the maintenance level is \$70,900. The 74 authorization was about \$50,000. The reason for the increase is partially postage, but most of it is for payment of fees and hearing officers.

[Mr. Ferguson came in.]

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\$28,000 is for the Administrative Code update which they are required by law to do. They have a supplemental in for that this year.

In Equipment, they want to change to a microfilm system for their records. Mr. Meekins asked if they now have a microfilm reader and Mr. Jones said no.

Returning to contractual services, Mr. Warwick asked what the hearing officers are. Mr. Jones said that when there are licensing disputes, usually having to do with ABC licenses, beautician licenses, or such, a hearing must be held and the Lt. Governor is responsible for hiring hearing officers. Costs on this can run from a very minimal amount -- \$50 or so -- to large amounts such as the bill they have just received for around \$3,000.

Mr. Saylor noted that the request is for \$248,100 and the Governor's Allowance is \$214,800. When the Lt. Governor was asked if he could live with that, he had said yes.

Mr. Saylor asked Mr. Jones about the cost of printing the registers and Mr. Jones said that they are about \$7,000 a piece.

#### Elections

The committee next reviewed the Elections budget. Ms. MacKenzie, Director of Elections, was present to testify on her budget.

Ms. MacKenzie said that this is a reasonably easy budget. Their only increase in positions is for one Clerk Typist II, range 8, in the Fairbanks office.

Ms. MacKenzie said that their program change increase is \$55,200. This is a non-occurring increase for a position for implementation of a computerized system for counting ballots in the three largest areas of the state during the coming election year (those areas being Anchorage, Fairbanks, and Juneau).

Since this is an election year, they have temporary positions in their budget, to be filled from July 1 to December 31. Their total request was \$809,300. The Governor's Allowance is \$808,300 -- a \$1,000 decrease. There was a \$4,000 reduction which was for moving, and a \$3,000 increase because of special paper needed for voting, so the net decrease is only \$1,000.

Mr. Warwick asked about the election office in Fairbanks and their desire to move into one set of offices so as to consolidate their operation. Ms. MacKenzie said that they will not be moving. They wanted to move into the Northrip Building and the rent would be exhorbitant. They are scheduled to move into the new state building in Fairbanks when it is completed.

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Mr. Warwick said that he seemed to remember that last year the legislature gave money to extend the Data Vote system, and asked if it is going to be used in Fairbanks. Ms. MacKenzie said yes, that it is. They bought punches for the Juneau area and now have to pay for program and buy punches for Fairbanks. In Anchorage they do not have to buy equipment as both the city and borough are using Data Vote.

Mr. Warwick noted additional money in the budget for polling booths and asked if that relates to the Data Vote, and Ms. MacKenzie said no, that that just relates to the increase in the voter population. IN answer to questioning, Ms. MacKenzie said that there are now 150,000 registered voters.

Mr. Warwick asked how much of this budget is attributed to elections. Ms. MacKenzie said almost all of the contractual services except the rentals. Mr. Warwick asked how the cost per voter relates to that in other states, and Ms. MacKenzie said that it really is not possible to relate Alaska's costs to those in the other states because of the unique problems faced by Alaska due to its environment -- i.e., ballots being dropped in by plane, taken out long distances by boat, and that fact that these special kinds of deliveries taking time and money both may be for only a very few people but still must be done.

[Mr. La Rocca came in.]

Mr. Peacock who is working on contract with the Data Vote program's implementation and coordination, was present to testify before the committee and answer any questions.

Mr. Peacock said that in talking about the cost of elections, one should note that the actual cost for election boards in 1972-73 was \$120,000 more than is projected for this year. The primary reason for that is Data Vote. They can now cut back on counting teams.

Mr. Ose asked if reapportionment is going to cause problems again this year, and Ms. MacKenzie said that that will depend on the Supreme Court. People cannot be notified of where to vote until the Supreme Court makes its decision.

Mr. Ose asked about voting for the people in the Pioneer's Home in Palmer, and Ms. MacKenzie said that the magistrate will move his office to the Pioneers Home and they will be able to vote there.

Mr. Warwick asked about the condition of the voters lists, and Ms. MacKenzie said that they have just completed a purge of the list. They couldn't do this, by law, until 1974. The next list will be minus 6,000 names. In response to questioning, she explained that the only other way they can purge the list is to contact each person

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who has left the state. Mr. Warwick asked what happens when a registered voter changes his residence. He mentioned an instance of someone being on the register in three different locations. Ms. MacKenzie said that this was very unusual since normally the computer would pull the old address. She did not know why this had happened.

Looking at budgetary projections up to 1979, Mr. Warwick asked Ms. MacKenzie if she felt these were realistic, and she said no, that she does not but that they had to put something. She does not feel that it is possible at this point to make a realistic projection.

At this time Mr. Gabby, from the Data Vote outfit in San Francisco showed the committee one of the punches and how to use it.

There being no further questions, Mr. Freeman thanked the witnesses and they left at this time.

There was a brief recess.

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HOUSE FINANCE COMMITTEE

March 7, 1974

8:35 A.M.

PRESENT

All members except Mr. Saylor and Mr. Ferguson. The following people were present from the Department of Revenue: Mr. Bob Stevens, Commissioner; Mr. Phil Wall, Director of Administrative Services; and Mr. Jerry Couzins. Mr. Joe LaRocca was also present.

GENERAL  
GOVERNMENT

Chairman Freeman called the meeting to order and stated that they were discussing the General Government category of the budget. He said they would begin with the Tok Border Station.

DEPT. OF  
REVENUE

Commissioner Stevenson introduced Mr. Wall and said he had been instrumental in setting up the Tok Border Station, and in fact had just returned from there.

Tok  
Border  
Station

Mr. Wall said that he wanted to report that most of the first year objectives at Tok were met. It provides: 24-hour radio dispatching services, tourist information and services to the State agencies and the public in driver's licensing, titling and registration, weather conditions, road information, and ferry tickets, as well as hunting and fishing licensing.

Mr. Wall said that two objectives not met were: 1) mandatory stop of all non-commercial vehicles; and 2) checking of all incoming and outbound traffic for registration and weight fees, weight limitation, and vehicle safety.

Mr. Wall said that after April of this year, they will be providing job information.

In April of 74 they will have completed their first full year, then they will be able to start compiling 24-hour a day statistics. They believe it has been a successful venture and as a means of certifying this, 1/4 million dollars in additional registration fees was attributable to the Tok Station being there.

Mr. Wall said they were requesting basically a maintenance level budget. They have asked for some readjustment in staffing primarily because of experience on what it takes to operate 24-hours a day. They are asking for a reclassification of temporary to permanent full-time and adding a new temporary license services person.

Mr. Wall gave the committees copies of a tally of commercial vehicles.

Mr. Specking was curious about whether the reclassification was seasonal, and therefore permanent part time. He wondered whether there was enough volume for the off season that these people would be needed.

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Mr. Wall replied that up until now there had not been, but this was in anticipation of what they are expecting. He pointed out that Tok was already in the thrusts of pipeline impact. He said this was shown on the handout he had given them showing a tally of commercial vehicles.

Mr. Specking questioned the objective regarding mandatory stopping of all north bound vehicles. Mr. Wall said that was contemplated as a means of trying to identify those vehicles in Alaska legally, but not residents here. They were trying to sort them out from those illegally operating in Alaska. He said they would converse with the drivers trying to determine whether they were tourists or not, and if they were, they would put an attractive decal on his car. He added that within their own ranks, there were a number of pros and cons on this program.

Mr. Meekins wondered why these range ll's only showed \$860.00. Mr. Couzins explained that was the difference between temporary and seasonal. They were picking up benefits accrued for seasonal which the temporary employee's don't get.

Mr. Meekins wondered why the Governor authorized \$35,000 when they had only requested \$9,400. Mr. Couzins explained that was for the transfer of rent to them from Tourism.

In answer to a question from Mr. Warwick, Mr. Wall explained that initially the Tok Office was contemplated as a Scale office. But, it had been implemented as a multi-service or full service office and as a result of that classification ended up being three or four ranges higher than originally budgeted.

Mr. Meekins asked whether the rent they took from Tourism under the Development category was reflected in their budget too. Mr. Hogan checked on it, and found that \$10,000 was shown for the transfer. Mr. Couzins pointed out that they were picking up rent, and insurance and maintenance as well.

Mr. Warwick asked if the three positions the Governor hadn't allowed would jeopardize their operation. Mr. Wall said it would cause some constraints.

Mr. Barber asked whether the three positions would show up in the pipeline impact budget, and Mr. Wall said yes.

Mr. Kent Dawson, Fiscal Analyst, asked whether the Division of Buildings took care of cleaning and maintaining the Tok building. Mr. Wall said the Division of Buildings contracted a guy, and it was his personal observation that he was doing a pretty good service.

Mr. Stevenson said they would go on to discuss Administrative Services. He pointed out that Mr. Wall was Director of Administrative Services.

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Mr. Wall said that basically Administrative Services is responsible for centralized service for seven divisions--the Commissioner's Office and seven field offices. He said there was about a 33% increase over last year, but it was still a maintenance level budget. He explained they were reclassifying two seasonal positions to full-time and two seasonal and two temporary positions were requested based on workload increase.

Mr. Wall explained that workload increase in the Cashiers Section require extension of two seasonal positions to full-time. Other increases are for inflation and equipment replacement.

[Mr. Joe LaRocca left the meeting.]

Mr. Freeman referred to page 139 of the General Government workbook where it showed maintenance as \$603,000 and the request as \$622,000. He wondered why the request was different from the maintenance level, and yet still called maintenance.

[Mr. Meekins left the meeting.]

Mr. Wall believed that that was because of the request to increase the two permanent part-time positions to full time and the request for two additional permanent part-time positions. He said it was all in the maintenance area because it was simply a workload increase.

Mr. Specking asked if there were any unfilled positions. Mr. Wall said there was a secretarial position he was recruiting for now, and that it had been unfilled for three weeks.

Mr. Warwick asked what their rent was for last year, and Mr. Wall said there had been none, because they were in the State Office Building.

Mr. Warwick asked who was going to move into the State Office Building when they moved out, and Mr. Couzins said Health & Social Services.

At this time the Committee went into a Bill Session. See Bill minutes on HB 559.

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HOUSE FINANCE COMMITTEE

March 23, 1974

10:35 A.M.

PRESENT Representatives Freeman, Haugen, Ose, Saylor, Meekins, and Specking.

PUBLIC  
PROTEC-  
TION Chairman Freeman called the meeting to order and said that Mr. Meekins was going to close out Public Protection, and then Mr. Saylor was going to close out General Government.

GENERAL \* The figures and the explanations will be in the House Rule Printout.  
GOVERN-  
MENT

CTP

HOUSE FINANCE COMMITTEE

February 1, 1974

1:37 P.M.

PRESENT

All members of the Committee. Mr. Bob Dwyer, Deputy Commissioner of Public Works, and members of his staff; Mr. Bob Thomas, Deputy Commissioner of Education, and members of his staff; and Mr. George White, of State-Operated Schools, and members of his staff were present. (For complete list of those present, see Committee Attendance Record.) Sen. Groh & Mr. Fink were present.

CAPITAL  
PROJECTS

Chairman Freeman called the meeting to order and stated that the purpose of the meeting was to investigate capital expenditures for educational facilities. Since the meeting had been called by Mr. Haugen when he was acting as Chairman, Mr. Freeman turned the Chair over to him.

Educational  
Facilities

Mr. Haugen stated that he believed the principle concern of the Committee was the manner in which they received reports on the schools. One organization has one set of figures, another one has a different set, and a third yet another. They had found they probably weren't going to get all of the schools built that had been planned. The original intent had been to build 12 schools for \$16 million--each school was to cost \$1 million with the remaining \$4 million to be distributed as required. He also understood that Safe Water Act funds were used in conjunction with the construction of these schools and wanted to know about that. Most important, he was interested in who was responsible for the various phases of the matter.

Mr. Haugen noted they now had another bond bill before them to back up some of the schools that can't be built under the original \$16 million bond issue. He said he had asked Mr. Rich Guthri, Fiscal Analyst, to research capital expenditures for educational facilities.

Mr. Guthri gave the Committee copies of a memorandum on his findings and recommendations based upon review of information provided by the Division of Buildings, State-Operated Schools, and the Department of Education. (See Page of the Minutes, Attachment I.)

Mr. Guthri also passed out copies of a chart showing a comparison between the \$16,300,000 G.O. Bonds for rural SOS School Construction and prior projects which seemed to be duplicated. In it, he showed some conflicting figures from the Departments.

Mr. Warwick asked Mr. Dwyer to tell what the total cost was going to be regarding Alakanuk, and why there were discrepancies in reports from the different departments.

Mr. Dwyer responded that this Alakanuk school was in the same group of schools that they opened bids for on the 21st of May and the projects were awarded the 31st of May. The contract on Alakanuk is approximately 20% completed at this time. The estimated completion date is the 5th of December this year. The current project cost is \$2,399,000. In this construction there is a sewage disposal plant required in order for the school to operate, the cost of which is \$600,000. At present, about 70% of permafrost piling has been placed in condition to place the platform on. They have no indication there will be any kind of extensive overtime at this time.

Mr. Dwyer admitted there seemed to be concern that these estimates had been made to build for \$1 million and after they were advertised and completed, they were twice that much. He said that the Division of Buildings received programs and worked them out with the Department of Education and State-Operated Schools. Mr. Dwyer said there was no reason to believe that the programs indicated by Education and SOS could be met at a lower price, most particularly because of the escalation factor coming on.

Mr. Warwick pointed out that SOS had shown the project cost as \$2,815,000.

Mr. Dwyer said that SOS would have to comment on that, and added there was always a running commentary on what costs will be.

Mr. George White, from State-operated Schools said they estimated the cost plus water and sewer at \$600,000 and \$24,000 in contingency. He said their figures were ones they received from the Division of Buildings.

Mr. Warwick asked who had the final say as to plans for the building. Mr. Dwyer replied that in some instances he felt the local School Board did. He said they would have to ask the Department of Education.

Mr. Warwick asked whether instead of bidding some of the other communities out of the possibility of having a school, it wouldn't be better to tell one community they couldn't have the size of school they want. Mr. Dwyer replied certainly, but in the final analysis it was decided to go ahead and complete the projects. The reason had been there was no way they were going to get them any cheaper.

Sen. Groh asked who gave them the authority to exceed the legislative authorization. He was told that the Division of Buildings received programs from the Department of Education, that \$16 million was the authorization, and that they weren't given a \$1 million limitation.

Mr. Ferguson stated that under the bond bill there was no obligation as to where the money was going to go. He said there was a letter of intent that was written and signed by the Governor. However, when the Legislature had passed the bond bill, there were no communities listed and no amount listed. They had just said \$16 million worth of bonds and that it was up to the Governor to decide where they were to go.

Mr. Fink said it was the Finance Committee's letter of intent that was signed by the Governor.

Mr. Ose asked whether Public Works had talked with the people in the communities regarding what they wanted before the estimates were made. He was told that they did.

Mr. Thomas stated that Mr. Bill Thompson had been handling matters for the Department of Education, and that he might wish to explain the part they played in the original planning and the request that went to Public Works.

Mr. Thompson said that once the location has been agreed upon, they send a document to Public Works that says they want a high school built and that it should be so many thousand square feet and the dollar amount. This particular issue was \$16 million. They originally said \$1 million for each school as was intended. \$4 million was to be divided between the 12 schools. They interpreted this based on two factors. They pro-rated based on enrollment and unusual cost. Unusual cost they interpreted to be water and sewer and specific site problems. When they requested Public Works to construct the high schools they figured \$100 per square foot. Alakanuk was \$1 million because they requested a school of 13,000 square feet.

Mr. Dwyer said they used three similar designs for six schools.

Mr. Everett Simpson, Chief Architect for the Division of Buildings, said that three architects were retained who agreed to work together for standardization of elements. The basic structural system of all of the schools is similar. They tried to utilize standardization and still stay within the competitive bidding system.

Mr. Barber asked how many classrooms there were in the Alakanuk school of 13,000 square feet. Mr. Thompson replied that a multi-purpose room, a science room, and a kitchen classroom, covered about half of the area, and classrooms took up the rest. The building is set up so that in later years when the program changes, the building could change internally. Right now, they anticipate 125 students.

Mr. Barber asked whether changes were made in the final design over the initial design. Mr. Simpson couldn't identify that they were.

Mr. Dwyer said the big item was the facility for sewage disposal and water. Mr. Barber didn't think that was the most horrendous part of the figure. It was merely \$600,000 with regard to nearly \$3 million.

Mr. Warwick noted that a letter from the Governor dated 5/24/72 and a letter from Commissioner Lind, Dept. of Education, dated 6/7/72 said basically the same thing with regard to the building of the facilities. He asked whether the Governor or the Commissioner had O.K.'d the over-runs.

Mr. Dwyer said that Commissioner Lind knew. He said they had thorough discussions about the matter of the high schools and the additional monies needed to get them.

Mr. Warwick asked whether they knew that was contrary to Legislative Intent.

Mr. Dwyer said they would like to accomplish the entire construction exactly as it has been stated, but various factors come to bear in the thing to make it an impossibility. He said they had to follow the law, which meant 19,000 to 21,000 square feet. He said they would never build anything which didn't meet minimum building codes.

Mr. Dwyer went on to say that their estimated current project cost for Alakanuk was \$2,399,000 which was bid by Jam Co. who bid to build three schools for \$5,300,000.

Mr. Haugen asked whether they had to get an Executive Order to get money transferred from the Safe Water Act to the building fund.

Mr. Simpson replied that the Department of Environmental Conservation gave them their specifications same as the Dept. of Education.

Mr. Freeman wondered why they didn't tell the school system they couldn't have a school the size they wanted because it cost twice as much money as they had.

Mr. Dwyer replied that the Department of Education turns the project over to them. They get an Architect, and if it can't be done for the money, he tells them ahead of time. After the design is completed, they go back to Education with it and tell them it can't be done for that amount of money. The design is sometimes modified three or four times. When the Department of Education agrees on the final design, it goes back to Public Works. When

bids come in above the estimate, they go back to Education and ask what they want to do. If Education still wants the school and there is no reason to believe they can get it cheaper by modification of plans, the Division of Buildings goes ahead with the awards. They do not necessarily receive a written statement from somebody to go ahead or not. The Division of Buildings makes the decision based on a good volume of professional experience.

Mr. Freeman asked whether it wouldn't be better if it was written out in the statutes that they couldn't build without proper approval.

Mr. Dwyer said that would alleviate the need for meetings such as this, but also some buildings would not get built.

Mr. Freeman thought the Legislature might prefer that they came back and got specific instructions.

Mr. Thomas said they had to make a decision when the final bids were tabulated as to whether to reject it and hold off a year and withstand community pressure and escalating costs. Also he pointed out that pipeline construction was coming up. They felt it was better to get the schools on the line now, if they wanted them at all.

Mr. Warwick asked whether Education had recommended they go ahead when they were told the cost was going to be \$2.4 million for the school. Mr. Thomas said they had recommended they go ahead. He didn't recall the construction itself as being \$2 million.

Mr. Warwick asked Mr. Thomas who he thought should have the final say. It was Mr. Thomas's considered opinion that one agency should have the final say, probably within the Executive Branch, simply because if they have to do advance planning, things would get done more quickly.

Mr. Warwick asked who determined what was a minimal high school. Mr. Thomas said that usually a team went into the community and determined what kind of facility was most feasible for school and community use as well.

Mr. Warwick asked if they would want a building that did not have these minimums. Mr. Thomas said they would not. He said the choice was between giving everybody something practically unusable or giving a smaller number something usable, and they would choose the latter.

Mr. Warwick asked about the Bethel high school which had cost about \$11 million, but Mr. Thomas told him that had not been a minimum high school by any means. It was a regional school and

had a capacity for 600 students.

Mr. Warwick asked how many classrooms it had and Mr. Thomas said there were probably 24 or 25. It had an extensive shop area and a library.

Mr. Warwick asked who decided to build it, and was told that James Harper had been the Director of Regional Schools. At that time, they were building regional schools in Nome, Kodiak and Bethel, and they were all plush schools.

Mr. Warwick commented they liked to see as much out of the money as possible.

Mr. Thomas stated they had attempted to pre-bid schools on six of the twelve schools to get the absolute cheapest price on steel and foundations. This was shut down, not in the Administration, but he preferred not to say where.

Mr. Specking asked how many students there were at Alakanuk, and Mr. Thomas said there were no secondary schools.

Mr. Specking questioned the need for a multi-purpose room. Mr. Thomas stated it was nearly mandatory for a school to have a multi-purpose room for instruction and physical education. He said it was also needed for extensive adult education programs. The schools are designed to serve more than pure secondary academic.

Mr. Specking asked if this school would draw from more than just one village and was told it would. Instead of regional schools, they now have area schools.

Mr. Ose asked if there was a master plan for schools. Mr. Thomas said it was done pretty much on a year to year basis. He stressed that they knew where they needed facilities and have a good understanding and a strong desire to get schools built because there are 1300 students boarding out of their home communities. They estimate it will take \$100 million for adequate facilities in all communities within the State.

Mr. Ose asked why they can't have these estimates and know what it is going to cost before they make their requests. Mr. Thomas replied that five years ago they started requesting permission to do this. They gave it up two years ago and quit asking. Since then State-operated Schools has been doing planning for education.

Mr. Ose asked for a comparison on the cost of a square foot in a secondary school and in an elementary school. Mr. Simpson said that just looking cold, it was quite similar.

He guessed the secondary school cost more than the elementary.

Mr. Simpson said that pre-planning was really the way to do it. However, they don't have the funding to work on projects until the funding is authorized to them.

Mr. Saylor asked what made the cost jump from \$1.25 million to \$1.8 million for Alakanuk. Mr. Simpson said that the \$1.25 was the estimate the Architect made. The sewage factor hadn't been considered. Also he hadn't been up on the cost of escalation.

Mr. Saylor asked whether the architect had participated with them in analyzing the bid, and was told yes.

Mr. Saylor asked whether the State had the Architect place performance bonds. Mr. Dwyer told him the performance requirement was a part of their contract.

Mr. Dwyer believed the crux of the problem was the Legislature appropriated the money on the basis of a rough estimate which was not made with the benefit of the necessary architectural engineering analysis for constructing a building. They appropriated the \$1 million, and the Division of Buildings couldn't begin doing set estimates on anything until the money was available. There was only one school not on permafrost piling. Estimates could be off when made in such a rough manner.

Mr. Ferguson said that currently the Legislature authorizes a bond issue to go before the voters, with the direction for where the money is to go up to the Governor. It is political. He thought the legislature ought to appropriate money after it goes to the voters and is approved by them. There was agreement to this by several of the Committee members.

Sen. Groh referred to Mr. Thomas's comment that their attempts to pre-bid steel etc. were shut down. Sen. Groh said this was no place to play games. He wanted to know who was responsible for stopping it.

Mr. Thomas said it had been the Legislature. Sen. Groh asked him to be more specific. Mr. Thomas said it had been C. R. Lewis, as far as he knew. He said the Department of Education, the Division of Buildings, and SOS had attempted to come up with pre-component bidding.

Mr. Dwyer said that the problem that arose here was one with regard to the State's purchasing mechanical systems and constructional systems. The mechanical contractor's were not enthusiastic about bidding this work because it involved the labor contractor's