

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2562

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

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

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

RECESS

Meeting recessed at 2:30 P.M.

DIVISION OF BUSINESS LOANS

SUMMARY FOR 1973

LOAN TOTALS

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

SMALL BUSINESS REVOLVING LOAN FUND PROGRAM

1973

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

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

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

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

TOURISM REVOLVING LOAN FUND PROGRAM

1973

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

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

COMMERCIAL FISHING REVOLVING LOAN FUND PROGRAM

1973

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

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

## DIVISION OF BUSINESS LOANS

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

### Small Business Revolving Loan Program

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

### Tourism Revolving Loan Fund Program

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

### Commercial Fishing Revolving Loan Program

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

COMM

DEV

HOUSE FINANCE COMMITTEE

February 12, 1974

1:35 P.M.

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

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

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

REGIONAL Mr. Argetsinger began with the Local Government Assistance Division. He said this Division follows essentially the same structure that the Local Affairs Agency in the Governor's Office did before

AFFAIRS this Department was formed. Their request for FY 75 is essentially a maintenance level request with two significant changes. They are asking for an additional Local Government Specialist I, which is the entry level for professional staff. There are presently 5 government specialists. They are also asking for contractual service funds in the amount of \$100,000 to complete a study of the Ad Valorem tax base of the unorganized borough. Otherwise, it is essentially a maintenance budget with slight additions due to increased travel costs.

Local Government Ass-istance

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

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

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

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

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

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

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

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

Rural  
Develop-  
ment Ass-  
tance

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

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

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

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

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

Community  
Planning  
Assist-  
ance

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

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

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

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

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

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

State  
Economic  
Opportun-  
ity

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

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

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

Adminis-  
tration  
and  
Support

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National  
Forest  
Receipts

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

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

Native  
Claims  
Payments

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

RECESS Meeting recessed at 2:55 P.M.

ED

After Recess  
9:45 a.m.

EDUCATION

Present at this time were Commissioner Lind and Deputy Commissioner Nat Cole of the Department of Education and other members of the Department of Education staff, State Board of Education, Department of Health and Social Services (the agencies in the Education category), and Budget and Management.

HSS

Education subcommittee chairman Saylor called the meeting back to order.

Special  
Education  
Grants

Dr. McCabe, Medical Specialist of the Family Health Section of the Department of Health and Social Services was present to testify on the budget for Special Education Grants. Dr. McCabe said that they are requesting this BRU be transferred to the Department of Education to improve articulation with other state educational programs. Mr. Saylor asked if this program is related to ARCA or ACCA and Dr. McCabe said not formally. Speaking of the requested transfer, Dr. McCabe said that when the budget was reviewed two or three years ago it was pointed out that Education would be a more appropriate Department for this program to be under, but since it was established by statute it will take legislative action to accomplish the transfer. HB 254 essentially transfers the activity to the Department of Education and repeals the statute putting it in Health and Social Services. Mr. Haugen asked Commissioner Lind if he feels it should be in Education, and he said yes. They have discussed this and he feels it should be in with the other special education programs under Education.

AMU  
Nursing

Dr. Effie Graham from the AMU Nursing program and Ms. Edna Crawford, Chief of Public Health Nursing, were present to testify on the AMU Nursing Program.

Dr. Graham said that their request is for maintenance of the nursing program with the addition of one faculty member. This member would be essentially a person who would travel around the state. This would enable them to give courses to registered nurses in other parts of the state.

Dr. Graham said that they are now up to complement, and they have achieved full accreditation from the Alaska Board of Nursing this last fall and graduated their first class last spring.

Mr. Saylor asked what the initial enrollment was, and Dr. Graham said that records show that in 1971 they had only 37. They graduated 15 last year. They will graduate 31 this year.

Mr. Saylor asked what their drop out rate is, and Dr. Graham said

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it has decreased a great deal. They had 10 withdrawals and 6 new admissions this year. Mr. Saylor asked about the number of people in the program and Dr. Graham said 121. Thirty one will graduate this spring, 2/3 of whom will be generic students and the rest, returning registered nurses. They have 33 seniors, 28 juniors, 33 sophomores, and 27 freshmen. These are full time students. They also have nine part-time students and in addition, do advising for some of the Anchorage Community College students.

Mrs. Crawford said that this BRU does include both support of the generic program and the continuing education program. \$145.1 thousand is support of the general baccalaureate; \$42.4 thousand is the support of the continuing education program under the Higher Education Consortium.

Mr. Warwick inquired about the state's position in the program. Dr. Graham explained that the state is paying for the cost of the program not covered by tuition. Cost of the program to AMU is \$445,000. Tuition income is \$258,000. The state is picking up the rest. Mr. Warwick asked how the tuition cost is set and Dr. Wright said that they pay the same amount as the other AMU students.

#### EDUCATION

#### Foundation Program

Going on next to the BRU's under the Department of Education, the committee began with the Foundation Program. Mr. Bob Isaac, Special Assistant, passed out tables representing statistical data from the districts on foundation program computation. [copy in department file]

Mr. Saylor asked what the four communities participating in the gifted child program are, and Commissioner Lind answered Cordova, Juneau, Anchorage, and Sitka (he was not entirely certain about Sitka).

Mr. Isaac said that preliminary computation of entitlement would indicate that \$81,870 million would be needed to support the program for the next fiscal year. Mr. Specking asked if that is at 90% and Mr. Isaac said no. This is taking into consideration all the various percentages the communities are entitled to.

Mr. Warwick asked why they are only asking for \$78 million if they need \$81.8 million. Mr. Isaac said that he suspects the reason the allowance is somewhat less is that over the course of the school year as these figures are revised there are some adjustments to be made and generally in the past they have been downward.

Mr. Saylor asked about the difference between ADM and ADA. It was explained that Average Daily Membership is the only figure the state Department of Education uses. Average Daily Attendance has been used in the past but is not currently being used in their data. It is used by the federal government in some of their programs. ADM

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counts all of the youngsters who attend school regularly and are not dropped for illness or missing school, while ADA does drop when there are absences. ADM counts a child until he or she is dropped from school - this is not true of ADA.

In response to questioning by Mr. Warwick, Mr. Cole said that their statistics have shown not only a leveling off in the high increase in ADM, but there is actually a negative occurring. Even though the department requested \$82 million, part of the data in the handout (dated 12/14/73) which Mr. Isaac had passed out they are relatively certain represents some cranking in of impact on the part of the districts. The Governor has a supplemental budget in to take care of the impact in which monies for the Foundation program are included. Actually, the impact will undoubtedly be greater than the districts have projected but the Department feels that should be part of the impact budget and not part of this one.

Mr. Warwick noted that the 74 amount was \$8 million over the 1973 figure -- and wondered about money lapsing this year. Mr. Cole said that they will probably lapse over \$1 million at the end of the year. Right now they are projecting a \$1/2 million lapse and they know that Anchorage is off in their ADM because of mid-year graduation.

Mr. Warwick said that he had heard that some of these programs are short-funded for this year, and Mr. Cole said yes, that debt service is one. Mr. Warwick asked if the Foundation lapse will be used for this. Mr. Cole said that that is a possibility, but that the decision must be made by the Governor. He noted that Pupil Transportation may be over funded for this year.

Mr. Warwick asked how much debt service is short-funded, and Mr. Cole said in the neighborhood of \$2 million. Between the Foundation program and Pupil Transportation, they may be a surplus of around \$1 1/2 million this year.

Mr. Warwick expressed concern because he thinks the Governor has submitted a purposefully deflated budget. He feels the budget is unrealistic. Mr. Cole said that he believes they will probably need around \$80 million disregarding impact. Dr. Wright said that there really has not been such a significant increase. The population has stabilized. There are more needs now for secondary than elementary schools, which is a recent reversal. Mr. Guthrie noted that elementary ADM's have decreased from 1970-71 at a rate of 2 to 3% each year and taking that into account, the Governor's budget may actually be high. Further supporting this, Mr. Guthrie noted that the FY75 budget is computed on the first quarter enrollments of FY74 and the first quarter enrollments are about 1.2% above the ADM at the end of the year.

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Public Transp.

Mr. Isaac said that Pupil Transportation should be adequate in the Department's opinion. There are some increases occurring which they have no "handle" on -- for instance, fuel. However, so far it looks like they will be able to handle these kinds of increases within the appropriation.

Dr. Wright asked if there is an identifiable inflationary trend in transportation - for instance, a yearly percentage increase. Mr. Isaac said that their contracts are three-year contracts, and so it would be hard to identify a yearly trend. Inflation is, obviously, occurring at a goodly rate. Mr. Cole said that is probably around 12%, but he said that he thinks that 1/3 of the contracts, which will be coming up for renewal, will be going up 10 to 15%, due to the increased cost of gasoline and other

commodities involved in transportation costs.

Mr. Guthrie asked if the Department has taken into account the legislative audit which was critical of Pupil Transportation, and Mr. Cole said it has and that there is \$100,000 in the budget that will be noted later which is to delve into this.

In response to questioning by Mr. Warwick, Mr. Cole said that everyone knows the prices of gasoline have gone up and he said that he doubts anyone would disagree with allowing a contractor whose contract is not presently up for renewal to request additional money if he can prove that he is losing money under his present contract.

Pupil Transp.  
Private

In Pupil Transportation/Private, Mr. Isaac said that most of the non-public transportation is so melded in with the rest that it is not identifiable. There are only a few instances of bus routes that are different. At the present time their expenditure is about \$90,000 for this. They can only project that there is a minor increase in non-public schools in the state so there will be an effect there, but mostly these are along regular bus routes.

Mr. Saylor wondered if it is possible to eliminate this BRU and pay the private transportation cost out of the \$6.9 million public. Mr. Isaac said possibly, but the department wants this BRU separately due to legislation pending.

Revenue  
Sharing

In Revenue Sharing, Mr. Isaac said that this is mainly 874. He said that the state appropriation seems to be adequate. The Dept. is paying close to 100% on claims. To whatever extent there will be increases, this item could jump substantially but it is difficult to project at this point. They have two new districts coming in, Selawik and possibly the Deltana Borough.

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Dr. Wright asked on what basis the districts claim money. Mr. Isaac said that they submit to the Department a record of parents living and/or working on state property and it works the same as the federal program. Dr. Wright asked if it is audited, and Mr. Isaac said that they do audit by checking cards against a specific location. Mr. Haugen requested a breakdown on where the money is going and Mr. Cole said that there is one on page 00133 of the red budget book.

Debt Ret.  
Local

In Debt Retirement/Local, Mr. Warwick noted that they are about \$2 million short this year so that brings the base up to \$6 million, and they are only asking \$6 million for next year. He wondered if that wouldn't make them short again next year. Mr. Cole said that their projections show that they will be short next year, about \$1 million roughly. Mr. Warwick asked if they can tell precisely what they will need in the coming year, and Mr. Cole said no, that although it is based on the two year's prior actual payments, estimates are difficult to get because in many cases collection of data from the the cities and boroughs is slow. They have just inaugurated a new way of gathering data earlier; this is the first year they have tried this.

Mr. Warwick asked if they will prorate the deficit, and Mr. Isaac said that they will if funds are not adequate.

Federal  
Programs

Mr. Isaac said that the Federal Programs are categorical federal aid funds. These include the Elementary and Secondary Act of 1965, the Educational Professional Development Act, the National Defense Education Act, Johnson O'Malley, titles of the Higher Education Facilities Act, National School Lunch Act, and Vocational and Education Act. In response to questioning by Mr. Warwick, Mr. Cole said that they will receive around \$8 million based on what they know for the current year. It is in the President's budget. Mr. Warwick asked if they have a breakdown of where the monies will go, and Mr. Cole said no. Mr. Warwick asked how it is determined. Mr. Cole said that Federal law determines where it will go. For instance, Title 1 is actually distributed by election district, so the State is told how much is available and then only has to subdivide the money to the school districts within each election district. It will be based on the 1970 census and the number of low income families (low income being \$2 or \$3 thousand annually).

Mr. Guthrie said that the federal government does come out with a list showing the amount of money coming to the state through the programs. Mr. Warwick asked if there is a schedule or list of communities and what they received this year, and Mr. Cole said yes, they will provide this to the committee. He said that the Title One allocations will be very similar to last year's except that it will be based on the 1970 census rather than the 1960.

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Mr. Haugen noted the decrease in Johnson O'Malley funds. He said that he understands the native regional corporations have been able to get these funds and wondered if that is the reasons the state wasn't.

Mr. Cole said that to a degree that is true. Any agency having a relationship to natives is eligible for Johnson O'Malley money. In the past, the Department of Education served as the umbrella agency for Johnson O'Malley. In the spring of 1973 the State Board of Education passed a resolution saying that in effect Education would not longer serve that function, but would have to apply for funds it wanted directly. The only funds the Department uses are for the Boarding Home Program. There is now a committee which reviews the applications for monies.

Out of District Students

Mr. Isaac said that Out of District Students is a program for paying tuition costs for youngsters identified in some way as a state responsibility -- in detention, state hospitals and institutions, who need special programs outside the state or who are attending district schools but residing in state institutions. Mr. Cole noted that distribution of these funds is shown on page 00136 of the red budget book.

Tobacco Tax Dist.

Going on to Tobacco Tax Distribution, Mr. Isaac said that this is based on the formula provided by Chapter 36 of the Rules and Regulations of the Department of Education, providing for a basic allotment of \$3,000 for each school district with the balance distributed on the basis of the number of students and professional staff in each district.

Mr. Cole noted that this is not the total amount of the tobacco tax - there is another formula that is used before this one to break out a percentage for SOS.

Financial Support

In the Financial Support - Audit program, Mr. Cole noted that this is the \$100,000 referred to in the discussion on Pupil Transportation. Until this time, there has been virtually no audit of the various distribution formulas.

Food Svc. Nutr. Ed.

Food Services and Nutrition Education is a program which, Mr. Isaac explained, was based on anticipated federal receipts which were never received since the enabling federal legislation was not enacted.

Arctic Slope School

The BRU titled Arctic Slope School was not a continuing program -- status as a new district will end with the close of the current fiscal year and funding will be under general programs of the Foundation Program for the coming year.

Mr. Saylor asked if the Sabbatical Leave program is for SOS teachers,

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also, and Commissioner Lind said that it is for any teacher in the state. He said that it is the department's position that this be funded on a needs basis. That is, that if there are any specific needs in the state -- for instance, special education, a sabbatical would be awarded to prepare someone to fill that need. He further stated that the department does not feel this should necessarily be for full year programs, but for shorter term workshops, seminars, etc.

Mr. Warwick asked about Senate Bill 122, which the Finance Committee just passed out of committee in an amended form, and he wondered what the residual costs will be as far as on base operation goes. Commissioner Lind said that initially, for this fiscal year, they do not see any additional administrative cost. If there is any change it would probably only be in Anchorage.

Admin. & Supt. Mr. Cole said that Administration and Support covers basically the internal operations of the Department relative to administering the Foundation Program, budget and accounting, administration of federal aid to education programs, certification of teachers, and other internal support operations. The Governor's Allowance is a one position decrease from the Department request.

Mr. Haugen noted that if they have the salary increase, the budget will increase substantially. Mr. Cole said that there is no salary increase projected into this particular request. Whatever salary increase is finally arrived at will have to be arrive at separately.

The Contractual Services decrease from the Maintenance level relates to the fact that the Department had anticipated paying all its own lights and water and has since found that it will not be, so the level is reduced.

In Field Service, Mr. Warwick asked if the \$200,000 appropriated for contractual services for this current fiscal year has been expended. Mr. Cole said that \$228,000 actually has not been expended. It was Johnson O'Malley money that they had used in prior years and had projected for -- but the money did not materialize. Mr. Warwick asked if it had materialized, what would it have been used for. Mr. Cole said probably for contracts with school districts having boarding home students or for special programs.

Ed. Program Support Going on to Educational Program Support, Mr. Jeff Jeffers, Director of that division, said that this division is responsible for general supervision, advisory and consultative services to all public school governing bodies and personnel; development of a minimum course of study for all public schools; accrediting those public, private and denominational schools which meet established accreditation standards; cooperating with the Department of Health and Social Services in exercising general supervision over public and private pre-elementary

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schools and over the educational component of nurseries as defined in AS 47.35.080; exercising general supervision over teacher in-service programs as defined in AS 14.03.030; providing general supervision and approval of programs for the education of exceptional children and vocational education. Mr. Jeffers said that they do not anticipate adding any personnel. The figures have changed some due to reorganization. They will be including in this BRU three people who had prior association with Vocational Education.

Looking at the subelements, Mr. Jeffers said that in Learner Assistance there is no increase in personnel. There is a \$114,300 general fund increase due to anticipated loss of federal funds, and a \$39,100 increase due to loss of Interagency Receipts.

Mr. Warwick said that he was unclear as to the function of Learner Assistance. Mr. Cole said that this subunit primarily is used to enable the department to carry out its responsibilities under Title 14. There are general supervisory responsibilities for school operations, specific statutory responsibilities relative to certification, pre-school education programs, in-service training, and such.

Mr. Warwick said that he still did not understand the need for the program. Mr. Cole said that they work with the school districts in two capacities. One is the general supervisory situation, setting rules and regulations and seeing that they are adhered to; the other is providing expertise in various areas of education to the districts.

Under Federal Program Administration, Mr. Jeffers noted that they have instituted a talent bank in order that there not be too many people on the payroll and yet the expertise needed in education is still made available on special assignment. They feel that this approach is a very positive and reasonable one and increases their flexibility considerably.

Mr. Warwick was concerned that there is really no way for the legislature to evaluate how much money they need in this BRU. He felt that the purposes and functions are so nebulous that there is no way they can get a handle on it. Commissioner Lind agreed that it is difficult to nail down considering the wide range of objectives for the Education Support Program. The Commissioner said that the talent bank portion of the request is actually very small. They are talking in terms of about \$50,000 in one sub-element and \$10,000 in the other. He said that he doesn't think the committee will find that there is an increase or request for additional full time people on top of the talent bank request. There is a request to maintain the level that they have. They feel that their services have been by in large adequate in certain areas but there are these certain other areas for which they have not been able to deliver quality service -- the talent bank should enable them to do that.

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Mr. Cole passed out a list of questions on the Educational Programs Support BRU [copy in department file]. Questions two and three relate to federal funds lost and gained from FY74 to FY75. He explained that there are a different group of programs funded each year. Dr. Wright expressed the feeling that the specific programs should be split out so the legislature could take a look and decide which they think are and which they think are not good programs.

Mr. Warwick asked what the various federal titles cover. Mr. Cole said that Title I is Disadvantaged students under certain definitions; Title II is Libraries; Title III is Innovative Programs; Title VI is Handicapped

There was considerable discussion on the titles and on the various funded federal programs. After much questioning, Mr. Cole stated that the programs are funded on a yearly basis, and so although there are programs funded last year that will not be funded this year, there are new programs being funded for this year. They are not necessarily intended to be ongoing federal grants.

Mr. Warwick felt it still looks like the state now has to come up with the money for programs that had been federally funded, and Mr. Cole said that, actually, the state does have to come up with money for some of what the federal government was covering -- but that actually, this is for matters that were a state responsibility before and should not have been paid for by the federal government.

Committee recessed at 12:15 p.m.

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HOUSE FINANCE COMMITTEE

March 16, 1974

1:30 P.M.

PRESENT

Representatives Haugen, Saylor, and Warwick. Representative Wilson was also in attendance. Dr. Marshall Lind, Commissioner of Education, and Dr. Nathaniel Cole, Deputy Commissioner of Education, were present along with most of their Division and Section heads.

EDUCATION

Mr. Saylor, Chairman of the Sub-Committee on Education, called the meeting back to order, and said they would begin with discussion of Executive Administration, Office of the Commissioner. (Page 51-52 of the budget short form.)

Executive Administration

Mr. Warwick asked about the Equal Employment Opportunity Officer. He said he had seen a few of these throughout the University's budget, and wondered what it was.

Commissioner Lind said they had requested that position, but it had not been put in by the Governor's Review Committee. He said this was an area of concern to many State agencies and that it was going to be an area of greater concern to some in the near future. Mr. Lind explained there was a lot of involvement on the part of the federal government with reference to equal employment opportunities in the area of minority hire and other discriminatory aspects of the State. He said that the Department of Education was one of the first in the State to be given outside review because they are recipients of federal grants. Dr. Lind said this was an area that got into the Personnel System and the tests that were given.

Dr. Lind said that \$18,400 was requested for this position. He then added that the Department of Administration, Division of Personnel was looking at it from a Statewide basis and finding discrepancies within the System itself.

Mr. Warwick noted that their request for the position stated it was necessary to comply with Federal Equal Employment Opportunity Regulations. He said the Governor must not have thought so.

Dr. Lind said that was because their concerns were housed within the Division of Personnel, Department of Administration, and looking at it on a Statewide basis.

Mr. Warwick asked for an explanation of field testing of customized test instruments.

Dr. Lind explained that one of the most significant things in Education is periodic testing. He said they were concerned with trying to get an assessment in reading and math. Typically, when there is a

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statewide assessment program, the results are up, as far as value, to the learner and the teacher. He said they propose to develop a form of criteria reference testing for 7,000-8,000 youngsters. This material would be keyed to particular text books, workbooks, or whatever materials are used. The run-out with discrepancies or particular learning skills would prescribe for the teacher to meet the needs. Dr. Lind said it would take several years before they have the test instrument to the point where it will speak to the needs we have throughout the State.

Mr. Saylor asked if there would be a continuing appropriation of \$200,000 each year for this. Dr. Lind replied it probably would be about that much annually. He said if they looked at that amount of money in comparison to the \$100 million that is being spent for education, it is a very small percentage.

Mr. Warwick asked what schools or districts this would apply to, and Dr. Lind said it would apply to every one of them.

Mr. Warwick asked how it would be made available. Dr. Lind said that once the test package itself was developed it would be administered annually as a State program, the results of which would be available to teachers in every school district.

Dr. Lind added that Alaska should do this program before it was superimposed on the federal level.

Mr. Warwick asked if this had been a Revised Program through Budget and Audit. Dr. Lind said yes, the program was funded under Title IV, Civil Rights.

Dr. Wright asked if the Legislature hadn't funded some \$700,000 in supplemental appropriation for FY 74. Dr. Lind said no, they cut it out.

It appeared to Dr. Wright that the average district has about 50-80% of the kids doing well. He said these districts were using special education money now, and now they would be getting another \$200,000 annually for testing. He said he couldn't agree with that, and he didn't think that putting more dollars into the beurocracy would help.

Dr. Lind said he would like to offer a suggestion: this year, as a result of working to develop this package, they have involved about 12 different school districts and 40-50 teachers. He said the success of any program was directly related to in-service training for teachers to use the data that comes out. He ventured to say that the teachers involved represented a good cross sample of teachers on a day to day basis, and he said the results were essentially positive, and they were very much in support of this kind of effort. He said the Department of Education felt very strongly about this effort.

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He added that the State Board went on record in 1972 as advocating this type of testing program as opposed to mandatory norm testing. Dr. Lind said they had to have a way of knowing what was happening throughout the State. They really think they are headed down the right road. He said they felt they had been successful in their pilot project.

Mr. Warwick asked about the \$10,000 for Talent Bank Support. He thought he remembered bits and pieces of that in other sections. Dr. Lind explained that the \$10,000 here was for administration. It was to pay travel and per diem for a superintendent to go to another community to set up a school program. He pointed out that Selawick had just voted to go 1st Class. He said there were other places just about to go 3rd class borough. That means they will be taking over their own schools.

P.T.P.C.

Mr. Saylor said they would go on to speak about the Professional Teaching Practices Commission (page 55-56 of the budget short form).

Commissioner Lind introduced Mr. Bob Lintott, the Executive Secretary of the PTPC.

Mr. Lintott said that at the present time the Commissioner is operating with no clerical support and no office. He said they were established by statute with relation to the PTP Act and were responsible for policing the professional standards. By statute, they were to establish procedures and adopt rules to implement the purposes of the Act; conduct investigations and hearings on alleged violations of ethical or professional teaching performance, contractual obligations and professional teaching misconduct; review the regulations of the Department of Education as they relate to teacher certification and to recommend necessary changes; review the decisions of the Department of Education regarding the issuance or denial of certificates, and in its discretion, recommend reversal of decisions; hire a staff person to carry out the responsibilities for the Commission.

Mr. Lintott said that recent experience indicated involvement would be greater next year, and he emphasized the need for the entire \$65,000 they had requested. He said that \$45,000 came from sale of educator's licenses and certificates.

At this time Mr. Lintott passed out copies of a memorandum which had been sent to the Committee earlier from the Alaska State Professional Teaching Practices Commission regarding the work, responsibilities and budget of the P.T.P.C.

Mr. Lintott asked the Committee to note that with the staff limited to one man, they were unable to meet all of the demands.

Mr. Warwick asked whether they had held hearings in Fairbanks recently. Mr. Lintott said no, but one was scheduled on the coming Thursday on the new handbook, which was the newly revised code of educators on the admission procedure and hearings procedure Act.

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Mr. Warwick asked if he had a secretary now, and Mr. Lintott said no, that he was doing everything. Currently the office is in the study of his house.

Mr. Warwick asked if they had appropriated for this, and Mr. Lintott said that there had been an P which provided for allocation of receipts from sale of Teacher's certificates.

Mr. Warwick noted that the budget document indicated two positions. Mr. Lintott said it wasn't correct, and he didn't know where that data came from. He said the Governor's BRC suggested that a part-time clerical staff person be provided. However, he said if last summer's experience was any indication of the demand, it wouldn't be sufficient to handle the load.

Dr. Lind said the Department's request was for \$65,000, and they felt that in order for the Commission to function adequately, they should have at least that much.

Mr. Rich Guthrie, Fiscal Analyst, asked why they had decided not to raise the fees. Dr. Lind said that since they had just raised the fees last year to get the receipts up to \$45,000, it didn't appear to be right at this time to immediately launch into another fee increase. He added that there was a possibility they would do that, but not in the immediate future.

Domiciliary Services Mr. Saylor said they would go on to discuss Domiciliary Services (page 57-58 of the short form).

Dr. Lind introduced Mr. Bill Thomson, Director of Boarding Programs and Construction.

Mr. Thomson said they were talking about 750-800 student for 1975. He said they were maintaining the three dormitories on a stand-by status until an alternate use could be found.

Mr. Thomson told them to go back to last summer and the action taken by the Johnson-O'Malley Committee which tells the Bureau of Indian Affairs how JOM funds should be spent in the State. At the beginning of the fiscal year they refused to fund the Boarding Home Dormitory Program as set out in the proposal, so Education came back with a revised proposal to fund the Board Program only, which resulted in the closure of the dormitories. JOM also served notice they would not pay stipend payments and travel for students after this year. The GBRC has said that if those funds are not forthcoming the State General Fund would pay it. Mr. Thomson said they had put a proposal in for the program anyway, but had been told in advance that they would not consider the proposal.

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Mr. Thomson explained that the Johnson O'Malley Act says the funds are not to be used to supplant, but to supplement basic programs. So far the Johnson O'Malley Review Committee is an advisory Board, but the BIA supports their recommendation.

Mr. Haugen knew that JOM money was supposed to be used for Indian Education programs, and that only Indian youngsters qualified. He asked how the money was being used.

Mr. Thomson said that the only dorm currently being used was at Bethel and it was not funded as a dormitory program per se. After JOM agreed to fund the program this year, Education contracted with the regional Native Association for operation of the Boarding Program. It is done on a Boarding Home payment basis. They are using those funds to operate the dorm.

Mr. Warwick asked whether the Boarding Home Program and the Dormitory Program were synonymous.

[Mr. Freeman arrived at this time.]

Mr. Thomson explained that Boarding Homes were individual homes. Presently, they are having good success in Boarding Homes at a cost of about \$2100 or \$2200 per student. Dorms have a high cost and a high casualty rate--about 36%. The cost per student is \$3500 at Kodiak and \$5500 at Nome. He said that when they lose a student and have a high fixed cost, they have to add about 1/3 again. He said they can't justify the program for institutional living at those prices.

Mr. Warwick asked who would pay for the Boarding Home Program in FY 75. Mr. Lind replied the Department request was for General Fund. The Governor's BRC changed it to federal funds with a note saying if they couldn't get federal funds, General Fund would be substituted.

Mr. Thomson said that JOM funds this current year statewide are \$4.6 million. JOM funds to the Department of Education are \$2,330,000 and the remainder are distributed to Districts, Native Communities & private organizations, for operation of native culture programs.

Mr. Warwick felt that the Natives had requested that the JOM money not be spent on the program, but on other programs instead, because they knew the State would pick up this program.

Mr. Thomson explained they considered the travel and stipend programs to be part of basic education, and that JOM funds were supposed to be used only to supplement basic education.

Mr. Saylor asked if these 700-800 students were also eligible for foundation support, and Mr. Cole said yes.

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Dr. Lind said it depended on where they attended school. If they go to Anchorage, they are eligible for Foundation Support funds plus tuition.

Dr. Lind said the average per student cost was \$1604 per student plus \$2200. He said they were spending more when the dorms were in operation.

Mr. Saylor asked what would happen if they were to disapprove the whole BRU and throw \$1 million into Correspondence. Dr. Lind said he would not recommend it at this point in time as an immediate solution because it couldn't be pulled off and done to satisfy a comparable level of education.

Dr. Lind said they had some catching up to do with reference to the unorganized borough in the rural areas. They have taken the position that youngsters who come from a predominately BIA Area will be taken care of as far as education is concerned. This has not happened on the secondary level. He said they were trying to get programs as close to the home as possible. They do have the responsibility to provide education to the youngster and it should be within his district. The Boarding Home Program is the only alternative they have at this time.

Mr. Saylor noticed there was \$154,000 for operation of the Nome and Kodiak schools on a standby basis. He wondered whether anything was being paid for use of those schools. Commissioner Lind replied that the dorms were not being used presently. He added that the dormitories were part of an overall agreement. The federal government had built them and turned them over to the State.

Mr. Thomson pointed out that Kodiak was in the process of turning over the dorm complex to the Borough under a use permit. They are using the staff quarters to operate a staff program for the Kodiak Borough. They are planning to use the cafeteria and dormitory portion for office space for the City School District, and also to house community college students and whatever other uses they can make of it. He explained this has happened since the budget process, and they are paying insurance and all operating costs.

Mr. Saylor asked if that meant the budget could be reduced by \$154,000. Mr. Thomson said no because they are still paying for heat and maintenance.

Mr. Haugen asked whether these Kodiak Island Borough students were paying anything to the District Schools. Mr. Lind said contributions were made for them through any kind of tax assessment levied borough wide.

Dr. Wright asked how many kids were in the Boarding Home Program in

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Kodiak. Mr. Thomson said there were 14 boarding students there. Dr. Wright asked what the State was contributing per student. Mr. Thomson said the statewide average was \$2200 per student for 9 months of the year. For Kodiak, they are paying \$175 a month. The \$175 is reimbursed to the Native Association that provides supervision for those students.

Dr. Wright asked how many of these boarding students lived in an attendance zone. He said that this year they audited last year and found that 200 of the kids really lived in an attendance area. Mr. Thomson replied that was true. However, there were a number of problems. One is the number of schools and their capacity at the present time. A second problem is the number of boarding homes. For example, Nenana has lots of room in its school, but there are no boarding homes so they can't place kids from nearby there. In the case of Bethel region, they have 400 youngsters within that region, and they can only service 300 of them. The other 100 has to go somewhere else.

Dr. Wright asked whether SOS said all of those kids in an attendance area were not mandated to go there.

Mr. Thomson said that those kids which were not eligible for the Boarding Program were picked out of this budget. He said there were 800 secondary kids that go to BIA schools.

Mr. Thomson added that in the Governor's allowance, approximately 50 kids were non-Native, so if they do get JOM funds, the State would still need to use its own funds for those 50 kids.

Mr. Haugen asked about the Bethel dormitory, and Dr. Lind said that the responsibility for the dormitory still rested with Education as far as administration of it. He said the dorm is run by the local Native Association under contract with Education. That is the extent of the Department's involvement.

Correspon-  
dence  
Study

Mr. Saylor said they would go on to discuss Correspondence Study (page 65-66 of the short form).

Dr. Lind introduced Mrs. Margaret Justice, Director of the Division.

Mrs. Justice asked for questions from the Committee.

Mr. Saylor inquired about the number of students expected for elementary classes. Mrs. Justice said that enrollment for this year at District elementary is 258. SOS has 312 enrolled to date. Since last July, they have had over 800 students including transfers in and out. The year before that they only had 700 students.

Mr. Warwick asked whether they got foundation money for correspondence students, and Mrs. Justice said they did.

Mr. Warwick asked whether independent school districts had correspon-

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dence students. Mrs. Justice said that two years ago, Kenai began an alternative education program to satisfy parents dissatisfied with regular schools. They allow youngsters who may live across the street to withdraw and be taught at home by mother or tutor. She said they had over 87 elementary correspondence students in the Kenai area. She said that Anchorage began the same program, and expects about 17-18 kids out of the Anchorage area.

Mr. Warwick asked whether this was advisable. Dr. Lind said there were some unique circumstances and concerns that many of the parents have with reference to the school system. He said that if the State approved a program, and they wished to opt for an alternative approach and the Department said they couldn't have that option, and forced them to keep their children within the normal school situation, they are certain to have problems. He said that fortunately the traditional and regular programs are satisfactory to the majority of the people but they want to have alternatives.

Mr. Warwick wondered how they maintained standards with individual tutoring. Mrs. Justice said that research done over a period of 20 years shows that correspondence students achieve higher levels than the student in the regular school system.

Mr. Warwick wondered how they rated socially. Mrs. Justice admitted that was an area that needed to be improved. One of the ways she has suggested to use the additional money for foundation support was to bring these youngsters in for peer groupings once or twice a month. She thought this might be done for gym classes or arts and crafts.

Mr. Haugen asked about the attendance factor. Mrs. Justice said that when a student is enrolled in correspondence courses, the District doesn't lose that attendance factor.

Mrs. Justice said that on the enrollment form there are questions as to why they want to enroll in correspondence. The answers are usually moral ones, or they don't think their child is learning what he should be.

Mr. Saylor said he would like information as to where the students are located, and Mrs. Justice said she would get that information for him.

Mr. Wilson noted there was a big jump in contractual services. Mrs. Justice said that was because there wasn't enough leadership in the past. She explained that their curriculum was about 10 years old and in some areas, they are to the point where they have to xerox workbooks because they are out of print. In order to bring the curriculum up to date, they need people. She said the Governor had asked for a restriction on hire, so in order to get professional experienced people to write these, they had to put it into contractual services.

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Mrs. Justice felt that village students should be given options as to how they want to be educated, and correspondence study should be included. She believed that with the right amount of money, they could structure programs geared to Native youngsters.

Dr. Cole said they could probably move to that point two years from now. The point was that it couldn't be done by July 1.

Mr. Rich Guthrie said that people he has talked to, expressly JOM, are very strongly opposed to this.

ARTTC

Mr. Saylor said they would go on to discuss the Alaska Rural Teacher Training Corps (page 67-68 of the short form).

Dr. Lind said that that went with the Education budget, but was not one of the BRU's they were prepared to discuss. Mr. Guthrie said he could contact those people to come down next week. The Committee agreed to that.

Student  
Financial  
Aid

Mr. Saylor said they would go on to discuss Student Financial Aid (page 69-76 of the short form).

Dr. Lind introduced Mr. Jack Carruthers, Director of the Division.

Mr. Carruthers said that the increase in money for scholarship loans went from \$2.9 million to \$3.3 million due to an increase in tuition costs. For the same amount of money, they funded 100 fewer students this year than last year. He anticipated they would fund the same number of students next year for a slightly greater amount.

Mr. Carruthers said that in 1973 the Tuition Grant Program was funded at 840,000, and they only used \$740,000. This year it was funded for \$1 million, and it looks like they will only use \$800,000 of it. He thought it might be possible to take \$50,000 out of Tuition Grants and add it to Student Loans. This would still allow \$100,000 for growth of the Program.

Mr. Warwick asked what it would take to fund the program in its entirety. Mr. Carruthers said between \$4 million and \$4.3 million.

Mr. Carruthers said that, according to the nationwide statistics of only 50% of the students graduating, at best only 50% of the people taking out the loans would be eligible for the 40% forgiveness.

Dr. Wright, putting together the figures on students not returning to the state and not completing their degrees, figured that the percentage of students eligible for the 40% forgiveness was probably around 15%.

Mr. Haugen expressed concern over the draw on the General Fund caused by these loans with no interest paid. Mr. Carruthers said that there

is interest paid, but only after graduation or dropping out of school, not while a student is in school. Mr. Haugen felt that interest should be accumulating for the full term of the loan.

Mr. Warwick questioned the validity of the 50% drop-out figure in figuring what percentage of students might be eligible for the loan forgiveness, because he felt that many students applying would be those who had used up their reserves and were serious about completing their education, and so were borrowing, and thus the drop-out rate would be lower. Mr. Carruthers said that actually he has noticed two general patterns developing. One is, indeed, this kind of student. The other is the student who borrows for the first year or two and then finds other sources--for example, college loans or scholarships or better paying jobs--and so does not reapply for State loan money.

Mr. Haugen asked how much default there is in this program. Mr. Carruthers said that it is hard to say at this time. They did have a problem with the three earlier years of the loan program. He said that he had just returned from a workshop of college business managers which dealt with loans, and he said that the methods the colleges use and the federal government uses in their loan programs differ considerably. The federal government attempts to contact a person, going up to three addresses, and then considers them default. The colleges do not give up so readily, and continue their attempts to contact these loan participants and do not write them off as default until after five years. They have found that, once having completed school and gotten into the work field, most of these students will then begin paying back their loans. This is the path he recommends that the State follow. It does imply more follow-up work on the loans, however.

Going on to Tuition Grants, Mr. Warwick asked Mr. Carruthers if he feels the \$950,000 will be sufficient. Mr. Carruthers said that they will have used only about \$800,000 this year, which is an increase of \$60,000 over last year, so he feels that an additional \$100,000 for next year should take care of it.

The next BRU is Administration of Student Financial Aid. Mr. Carruthers said he thinks the reason they cut out the second position he had requested was that they looked at the number of people actually repaying loans and measured need in terms of that, whereas actually, the workload is considerably greater. He said that there are about 2,000 folders to be maintained, and it is recommended that all persons be contacted twice a year.

Mr. Haugen wanted to know how much money was loaned in this program, and how much money was lost in interest earned the State in having this program on the books.

Mr. Carruthers replied that about \$28 million has been loaned. He said a revolving fund works only in a static situation. If there is a growing population, they never get more than 30-40% from the students.

For Sec-  
ondary and  
Adult Edu-  
cation

Mr. Saylor said they would go on to discuss Post Secondary and Adult Education.

Dr. Lind introduced Mr. Gerald Hiley, Acting Director of this Division.

Mr. Hiley said this BRU was a compilation of various components. There has been a change from previous years as a result of reorganization of the Department of Education. The programs that were previously under the Division of Vocational and Adult Education BRU were split into a secondary section and an adult section. This BRU only accounts for the adult section of the FY 74 budget. One component of the Vocational Education Budget from FY 74 that is being considered separately is the Youth Employment Service Program. Also, this budget combines other BRU's from FY 74 that are a part of the total Vocational Education Unit. These BRU's are Adult Basic Education, Fire Service Training and Community College.

Mr. Hiley said that Adult Basic Education is a service for adults who have not completed high school. The component administers all high school equivalency diplomas (GED) in the State. He added that ABE is the main section of this budget. He said they have established program serving the adult population in 60 to 70 communities.

Mr. Hiley pointed out that it has been shown that students with parents who are more educated achieve a higher level of education. They are trying to get more and more adults at these higher education levels.

Mr. Saylor noticed that they have cited minimum federal funding as \$75,000 and maximum as \$135,000. He asked if it was likely they would be getting the full amount. Mr. Hiley didn't believe so. He thought if more likely they would get the lower figure. He said that this year they didn't receive near the amount they had originally anticipated.

Mr. Warwick asked if there wasn't an SOS program that did the same thing, and he asked if it wouldn't be better if they were under the same person. Dr. Lind agreed with Mr. Warwick that they should both be under the same program.

Mr. Warwick asked about incorporation of useful parts of the VISTA program. Mr. Hiley explained this was a volunteer program sponsored by the Federal government which provided basically the same type of program. They are now cooperating with ABE.

Mr. Warwick asked where the programs were located. Mr. Hiley said they were located primarily in the villages.

Mr. Warwick asked who received the \$600,000. Mr. Hiley said that most of it went to the Village Councils.

Mr. Warwick asked whether the villages or councils applied for the money, and Mr. Hiley said they did.

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Mr. Guthrie asked for the total number of people estimated to have less than an 8th grade education, and the number of people estimated to have less than a 12th grade education.

Dr. Lind said he would provide that. He added that they would be surprised at the large portion of the State that has less than a 4th grade education, and those less than an 8th grade one. He pointed out that this program was one of the top priorities of the State Board. It is their feeling this is one of the best investments the Department can be making.

Mr. Haugen asked who paid the overhead for the VISTA workers. Dr. Lind said the federal government bore VISTA costs. They pay a stipend of so much a month.

Mr. Saylor referred to the Fire Service Training (page 81-82 of the short form). Mr. Hiley explained that this program was operated by two individuals. They provide technical training assistance to both volunteer and paid groups throughout the State, and to rural villages as well. They provide instruction on how to operate fire extinguishers, etc. He said in the Southwest area it is funded through the Village Councils. He added that it is one of the most successful programs they have going, and it is very well received, particularly in the Bush area.

Dr. Wright thought it might be simplified if they went through various education agencies.

They went on to discuss Community College Support (page 83-84 of the short form).

Mr. Saylor noticed that the Governor had cut their budget for this BRU from \$1,350.0 to \$1,150.0. Mr. Hiley said that from their standpoint, that had been a bad move.

Mr. Guthrie explained that what the University was doing was taking vocational courses were formerly non-credit courses and making them Associate Degree Programs. Many of these programs are going to be picked up by the University system, so what is cut from this BRU shows up in the University budget.

They continued on to the Adult Vocational Education program (page 85-86 of the short form).

Mr. Warwick asked how this was different from the preceding page. Mr. Hiley said this particular budget was a result of the Vocational Education Act which specifies a certain amount of money must be used in the Adult Education area. He said this area covers different programs than the Community College does.

Mr. Warwick noted that the Governor had disallowed \$59.9 in General Fund Matching. Mr. Hiley stated that money was needed in order to match the federal money.

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Dr. Cole said there were sufficient funds in the Community College area to match in other areas. He said they were moving the match requirement to the local level.

Mr. Saylor referred them to the Youth Employment Services section (page 87-88 of the short form). He noted that the budget went from \$60.0 to \$130.0.

Mr. Hiley said the program was designed to provide job referral & placement services to Alaskan youths in school or immediately out of school. Last year they served those up to age 25.

Mr. Warwick asked who got the money, and Mr. Hiley said that this year they have 6 Youth Employment Centers, and in FY 75 they plan to have 11 of them. Staff is hired to make contacts and take applications from students.

Mr. Hiley said that in FY 74 they took applications on 3700 people and referred 2800 to jobs.

#### Museums

At this time they went on to discuss Museums. Dr. Lind introduced Mr. Kennedy, the Director of the Division, and he in turn introduced Mr. Allan Monroe and Mr. Dan Munro. (Page 91-92 of the short form)

Mr. Kennedy said some good things had come out of the hearings, mainly relating to security, and were programed into this budget.

Mr. Kennedy said that personal service changes are mandatory in order to operate at maintenance level in FY 1975. Contractual and commodities changes are required to meet projected increases of 22.5% (above)

in order to reach maintenance level in 1975 it is necessary to fund the personal service changes requested in this budget. This results from the fact that demands and needs for increased service in 1974 were met through the addition of personal services. The majority of these services were obtained through Federal funding which will not be useable in 1975 because of federal regulations. The need for additional contractual funds results from the need for additional personal services in the areas of temporary exhibits and educational service. The need for additional funds in commodities results from increased production in the maintenance, construction, and upgrading of permanent exhibits. Changes in contractual items and commodities are required to meet the projected 22.5% increase in visitation and participation in Museum educational programs during 1975.

Mr. Kennedy said they would notice that they are requesting less than what they have currently. They are requesting \$306.4 which is a reduction from the current \$325.7.

#### A.M.E.

Mr. Kennedy pointed out that the Alaska Multimedia Education program had been cut down drastically because for the first time there are no JOM funds. He wanted to explain that. He said he was not only

talking about \$50,000 in federal funding that they had counted on, but that they had been receiving ever since the program to encourage education in the bush area had been started, and they had assumed they would get it as long as there were JOM funds. He said they felt it had been a quality program. He said that even the Native Review Board, when they met in June, had said everything looked great. Three months later, they had decided not to fund it.

Mr. Kennedy said they had already expended \$10,000 of their operating budget when they found out they were going to be short \$40,000 of federal funding which they had been expecting.

He added that they had been bailed out by the fact that the Anchorage Transportation Museum burned because they got the insurance money. He said they had to borrow money from that program to keep the rest of their programs.

It was pointed out that it had been the intent of the Legislature to transfer the Transportation Museum to the City and Borough of Anchorage in FY 74. Mr. Kennedy stated that the City & Borough of Anchorage hadn't been interested. He said that his people had met with the Governor who said it was a good program which should be continued, so they attempted to get funds.

Mr. Saylor thought that if they just cut the Transportation Museum out, they would get \$100,000 worth of insurance.

Mr. Kennedy said no, that the bulk of that was for the building. He added they were just in the process of getting back for the contents of the building--\$34,000. They have already had to borrow against most of that.

Mr. Freeman asked how many years they had been getting \$50,000 for the Multimedia Education program, and Mr. Kennedy thought it had been 4 years.

Mr. Freeman asked the reason it had been cut out. Mr. Kennedy said they didn't tell them any reason really. Mr. Kennedy guessed that when they investigated the immediate program, they found it didn't employ any Natives. He added that this wasn't told to them directly.

Mr. Kennedy went on to say it was a totally Native oriented program.

Mr. Freeman said that if the Native people didn't feel it was worth \$50,000, what justification would the State have for spending \$356,000 worth of General Fund money to do this.

Mr. Kennedy thought that the people who knew about the program were very concerned, and many Native people were going to the BIA and the Review Board. Mr. Kennedy thought the program had been hurt because of a backlash. The Native people resented other things about education in the State.

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Dr. Wright wondered why the budget went down and the personnel went up. Mr. Kennedy said they were picking up two people that they got through federal funds previously. They had been told they weren't going to them that way, so they had brought them into the operating budget. These were the two people for security. The other change is Mr. Dan Munro who had been under contractual.

Dr. Wright asked how many people were on board from all sources, and Mr. Kennedy said 12.

Mr. Warwick asked what the \$24,000 was part of, and Mr. Guthrie told him it was part of the Travel Exhibits funding which was not received.

Juneau  
Museum

They went on to discuss the Juneau Museum (page 93-94 of the short form).

Mr. Warwick noticed that contractual services went from \$51.6 to \$22.9 for maintenance. Mr. Kennedy said that was due to the reduction of federal funds for the A.M.E. Program, which was in a sense non-operative.

Mr. Saylor asked whether the FY 75 contractual services would be funding a position. Mr. Dan Munro said no.

Dr. Wright said if they took out his salary, they still couldn't fund 13 people. Mr. Kennedy explained they had two people in the past year which were federally funded. Both are considered half time, so they will be picked up as one full-time person.

Dr. Wright asked to be supplied with a list of all the people and their salaries for this year and last year.

Mr. Kennedy said that in the past they have been understaffed in the area of the State museum as far as classifying and cataloging the over 10,000 items.

Mr. Freeman asked whether any RP's had been approved in the last year. Mr. Kennedy said no.

Mr. Freeman asked where they got the authorization to add three people. Mr. Kennedy said they were under WIN and PEP until July 1.

Transportation  
Museum

They went on to the Transportation Museum (page 95-96 of the short form).

Mr. Warwick didn't think they needed the money. Mr. Kennedy said they couldn't stop an on-going program. He said they salvaged 80% of their collections. He said they had an office which had been functioning since a week after the fire. They are in the process of salvaging. They know that with sufficient talent and time they can salvage as much as 80% of the collection, however it is a long, slow process.

Mr. Kennedy said he hoped the State would transfer the \$34,000 for insurance into their budget.

He said that \$600,000 was requested for building and site acquisition. They are in the process of planning a new museum.

State  
Library

At this time they went on to the State Library BRU (page 97-98 of the short form).

Mr. Dick Engen, Director of the State Library, was present to testify.

Mr. Engen was sure they knew what the State Library did. It served as an information source, and they worked with libraries throughout the State. They serve as a local library service, and also have a statewide plan so they can get materials to wherever it is desired.

He said that one of the things apparent is that this library is continuing to produce more and more work without the adequate increase in staff they desperately need. He said the library was open 57 hours a week without the increase to operate it, and it was hard to spread the people around to the Saturday hours.

Mr. Engen pointed out that they would be moving into the new building during the next fiscal year which would give them adequate space. However, it has been built in a way so that there are three separate areas to be served by the library. This causes problems in staffing. They have requested 5 positions, two permanent 1/2 time clerical and a librarian II for legislative reference and research.

Mr. Warwick noticed they were having problems with federal funds. He asked how certain the \$100,000 was. Mr. Engen said they might get it. He said they have attempted to utilize federal funds that are available for library development activities.

Mr. Engen said there was a \$1.9 increase in the total budget, which he was sure they realized couldn't begin to meet the cost of living increase.

Dr. Wright asked how much of the increase in work was due to the legislative session. Mr. Engen said if he was talking about more people coming in, it was probably a 25% increase. He said they got a lot of requests from legislators and committees.

Dr. Wright wondered whether, if they didn't have the legislative interference, they would still need the additional personnel. Mr. Engen said that if the Legislature didn't come in at all, that might give the staff a chance to catch up with their cataloging work and acquisition material.

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Mr. Guthrie asked whether the reduction in federal funds was based on the President's budget. Mr. Engen said the President had backed off on trying to knock off all federal funds. He has indicated that a minimum amount would be included in the budget. That is what the \$100,000 is related to, and they are hopeful they will get this.

Dr. Lind told the Committee that Mrs. Hearly, from the State Board, was present, and would like to say a few words.

State  
Board

Mrs. Hearly said she wanted to say that the State Board was made up of lay people throughout the State who were very concerned about how much education is costing. They are also concerned when they look at the budget that there is very little they can do about it because of the Foundation Program. The Board feels that maybe if there was some way of testing and assessing what is being done, dollars could be certain to go to the right places. They hope that the appropriation will continue to be made for that assessment. They are also concerned about the Museum problem and feel that kids in the villages and the rest of the State as well would do very well to learn about Alaskan history... She didn't think they were getting it across to the kids what it means to be a part of our State.

RECESS

Meeting recessed at 5:00 P.M.

3/16/74

ECON

DEV

HOUSE FINANCE COMMITTEE  
February 21, 1974  
Thursday  
10:55 a.m.

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

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

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

DEVELOPMENT  
Dept. of  
Economic  
Development

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

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

Tourism

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DSC

AFTER RECESS

3:20 p.m.

Present: All members except Representatives Ferguson, Saylor, Ose and Meekins. From the Department of Environmental Conservation, Commissioner Max Brewer; Deputy Commissioner Jerry Reinwand; and Al Eagle were also present. Mr. Charney, Budget and Management, was also present.

NRM & ENVIRONMENTAL CONSERVATION

DEPT. OF ENVIRONMENTAL CONSERVATION Administration & Support Representative Freeman turned the meeting over to Representative Barber, Chairman of the Subcommittee on Natural Resource Management & Environmental Conservation.

Mr. Barber said there had been discussion that Habitat could more appropriately be handled by the Department of Fish and Game. Commissioner Brewer said the Dept. of Fish and Game is interested in water when there is fish in it. The Dept. of Environmental Conservation has been statutorily responsible for water quality. Commissioner Brewer felt that Habitat belonged in Environmental Conservation. He stated that if their department does not handle this the federal Environmental Protection Agency will.

Joe LaRocca, news reporter, entered the meeting.

Commissioner Brewer said that as the Habitat program is now set up the Dept. of Natural Resources is the "seller of water, Environmental Conservation is charged with the responsibility of the quality of the water, and Fish and Game is charged with the livability of the water in regards to Fish and Game."

Representative Barber asked if the only time the Dept. of Environmental Conservation would anticipate contact with the Dept. of Fish and Game would be on the matter of water quality control. Mr. Brewer said they would also work with them on items such as coastal and marine areas, question of wetlands useage or approving the Corps of Engineers permits. Every time they approach a stream that is anadromous there is and interlapping between Fish and Game and Environmental Conservation.

Mr. Warwick referred to letters he had received regarding sewer regulations. Commissioner Brewer said these regulations had been adopted last August after a considerable

number of public hearings. He said Mr. Vern Aikens had felt the use of "civil engineers" discriminated against mechanical engineers, who had designed some of the treatment plants in Alaska. Mr. Aikens and several other persons also objected to the word "disinterested" in the regulations. They felt that "disinterested" might mean "disinterested in their work." Commissioner Brewer said he felt this was a little far-fetched but he could see this interpretation. Commissioner Brewer said after these complaints had been heard they came out with language to make these modifications.

Commissioner Brewer said the department will approve in excess of \$20 million worth of sewage system designs this year. The majority of these will be approved by one man. Commissioner Brewer said if this individual is going to go into these designs and pick up all the potential errors he can probably do three or four systems a year. The Department has not been provided with money to go into detail and check each engineer's particular design. Commissioner Brewer added that over half of the sewer systems in Alaska are non-functional. He said they know the sewage treatment plants in Valdez and Dillingham are non-functional. At Barrow the system "just functions occasionally."

Mr. Warwick asked what the engineers are complaining about regarding the regulations. Commissioner Brewer said they have close to 3,000 professional engineers in the State. They have received about 30 complaints that would completely revise what the Department has done. He said they did not feel it was fair to the public to revise these regulations. In answer to Mr. Warwick, Commissioner Brewer said the engineers who have complained feel that any engineer should be able to design sewage treatment plants in Alaska as long as he is registered (this included civil, geological, chemical engineers, etc.). Commissioner Brewer said what the Department is seeking is demonstrated competence.

Mr. Freeman asked if they have any pre-packaged designs from the South 48 that are working. He referred to an individual in Ketchikan who is selling pre-packaged design. Mr. Reinwand said this individual is selling a good plant providing it has maintenance. He said their engineers are fairly happy with this program. Mr. Freeman said his point is "would every system have to be designed by an engineer in Alaska in order to work?" Commissioner Brewer said what they need is "more commonality of design."

In answer to Mr. Barber, Commissioner Brewer said the sewage lagoons that were put in on the North Slope were "dunking

ponds -- straight ponds of raw sewage." He then elaborated on some of the problems of this system. Mr. Barber asked if they anticipate proper handling along the pipeline route. Mr. Brewer stated that they are trying to make sure this is handled properly.

Quality  
Control

Commissioner Brewer said the only change in this budget in the last two years is that one position is shown as doing plan review work and another position is shown in the Village Safe Water Act. These are not additional positions -- merely a better definition of what these people are actually doing.

Mr. Warwick referred to Air Quality and asked what happened to the \$25.0 grant they received last year. Mr. Eagle stated that in an attempt to stay under maintenance the Governor's Budget Review Committee reduced this to 0. Mr. Warwick stated that this action was absurd. Mr. Charney said it should more properly have been maintenance and a negative change. Mr. Warwick said if it was \$25.0 last year it should be \$25.0 this year. He asked what the grant money would be used for. Mr. Eagle said this went to the municipalities.

A discussion followed on what Fairbanks was doing with their grant money. Commissioner Brewer said he saw a proposal in the paper to use these funds for a library. (Later in the meeting Mr. Warwick stated that he thought this was in error -- the funds discussed in the article referred to revenue sharing funds).

The Committee then discussed carbon monoxide and ice fog. Commissioner Brewer said that ice fog and carbon monoxide were like "ham and eggs". Ice fog itself is an item dependent upon the moisture in the air. He said you can have deadly carbon monoxide and not have any ice fog. A discussion followed on this problem in the Fairbanks area. Mr. Specking asked if the carbon monoxide in Fairbanks was high enough to be dangerous. Commissioner Brewer said the medical association has a composition of ideas on this. Someone in poor health could have a problem with anything above 15 parts per million. In Fairbanks they have had levels of 26, 27, and 33. He said a level in the high 20's has been reached in Fairbanks during the last several winters. Mr. Reinwand added that the National Academy of Sciences is looking into this. They should have a report in August, 1974 which should nail this down. He said right now no one has the "magic figure." Mr. Reinwand said the department has been advocating improvement.

The Village Safe Water Act was briefly discussed. Mr. Haugen requested the Committee be furnished a list of projects (showing the location of the projects and what they are).

- Coastal Zone     The increase in personal services is a deletion of an Oceanographer IV, Mr. Eagle explained. This has been split into two lower level positions (Oceanographer I and Oceanographer II).
- Land Use         Commissioner Brewer explained that the Land Use and Urban Development work is being handled by Dale Wallington. He gave a brief summaries of these duties.
- Terrestrial Ecology     Mr. Barber asked if there would be any conflict in the two components of the office of Terrestrial Ecology and Environmental Management. Commissioner Brewer did not think so -- he thought they could find a good engineer and a good biologist (in the Director's position).
- Permafrost        Commissioner Brewer said the permafrost and soil engineering should be the most important approach to any environmental department in the State of Alaska. Commissioner Brewer explained some of the permafrost problems in Alaska. Mr. Barber asked if they could build on permafrost. The Commissioner said this would depend on what they want to build. He pointed out that there are no courses on this subject at the University of Alaska.
- Adjourn:         Mr. Haugen noted that the government is paying for a lot of sewage plants in Alaska. He pointed out some of the problems in Petersburg. This was briefly discussed and the meeting adjourned at 4:50 p.m.

FISH  
GAME

NATURAL RES.  
MANAGEMENT &  
ENVIRONMENTAL  
CONSERVATION  
FISH AND  
GAME

Following the brief at ease, Chairman Haugen noted the presence of the Fish and Game personnel and requested that they introduce themselves. Present were: Mr. Vern Roberts, Director of the Division of Administration; Bob Roys, Director of FRED; Bob Burnett, Chief of Information and Education; Alex McRea, Chief of Hatchery Services; Carl L. Rosier, Director of the Division of Commercial Fisheries.

Mr. Haugen turned the meeting over to Mr. Barber, subcommittee Chairman for Fish and Game.

FRED

Mr. Barber said that the budget review for this department would start with the Fisheries Rehabilitation, Enhancement and Development program (FRED). Mr. Roys is the Director of FRED, and he passed out copies of a report on the past year's activities, giving a detailed description of each program and its progress. He noted that the Division is organized into three budgetary categories: Development, Anadromous, and Administration and Support.

Mr. Roys said that the budget request for 1975 in Anadromous Fish is influenced by several major factors. One is the addition of several hundred thousand dollars in capital improvements for this year. Several of the supplementary systems being constructed from these capital funds will be going into operation in FY 75. They are moving ahead rapidly in design and site selection.

Mr. Barber asked how far they are on Kasilof, and Mr. Roys said that they have 32 incubators connected up now and have eggs in 16 of them. Their goal is for 60. They have all of them on hand but they are not hooked up.

Mr. Roys said that as the Anadromous program expands and some of these systems are coming on the line, there is some staffing that the division feels is very important. He specifically noted that there are numerous maintenance mechanics requested in this budget, and stated that this is becoming a very important factor in all of these supplemental systems. There are several other positions requested, and he mentioned the position of a Biologist IV in Juneau. Justification for this position is that presently all projects in Southeast are handled by Mr. Roys himself or by the Deputy Director.

In response to questioning about the Georges Inlet Incubation System, Mr. Roys said that they are in the final stages of negotiation for acquiring the old cannery down there. In answer to questioning by Mr. Haugen, Mr. Roys said that first choice for a building at Georges Inlet was the warehouse, but they are getting the cannery building instead. He said that the energy crisis has really affected the availability of pipe, plastics, etcetera, and particularly with pipeline construction imminent, it is going to

get very difficult to continue with these projects.

Mr. Roys said that they have two stream gauges in operation now to check for possibilities of incubation systems -- one at Humpy Creek and one at Prince William Sound. These are looking favorable. Another is at Takaluk Lagoon near Homer and it looks good, too.

There are three estuarine rearing systems, one at Little Port Walter, the second at Sitka, and the third at Halibut Lagoon. He continued briefing the committee and answering questions on all the various projects, all of which is contained in the report.

They are estimating in FY76 that the whitefish program will be taken out of Anadromous Fish and placed in management research status.

[Commissioner Brooks came in.]

In Clam Development, Mr. Roys said that they finally are receiving certification for shipment of razor clams to outside markets. They are in the final stages of developing a cooperative agreement with the FDA. Mr. Roys said that he would guess that by the end of the year Alaska's razor clam beaches will be certified for shipment of fresh and frozen clams to outside markets.

Mr. Haugen asked the reason for the continued struggle with the whitefish. He wondered if they have any commercial value. Mr. Roys said that the market is opening up. There was a buyer last year buying all he could get. Mr. Haugen wondered why then it is in Anadromous Fish rather than Commercial Fish, and Mr. Roys said that they are planning to move it into Management.

There was further project discussion and then Mr. Barber said that they would begin going through the budget by category.

Mr. Barber noted that there is a tremendous increase in the Anadromous Fish category. He asked about the personal services increase, from \$607,300 to the maintenance request of \$894,100 (Governor's Allowance - \$846,900). Mr. Roys said that in Juneau they are requesting a fisheries technician for the Juneau Estuarine Rearing project. They are requesting a Fisheries Biologist IV to handle projects in the Southeastern Region. They are requesting maintenance mechanics to handle the various projects. They are requesting a Fisheries Technician to operate the Big Lake Incubation System and one to be responsible for operation of the Snake River.

Mr. Specking inquired about the Construction Engineering Assistant position in Anchorage and what he does. Mr. Roys said that he is involved in the engineering aspects of the projects. They have established a team of engineers in the central region able to carry

Mr. Warwick asked what kinds of fluctuations can be expected once that level has been reached. Mr. Brooks said that if production is up around 100 million he would expect between 75 million and 125 million. Mr. Warwick asked what year the 130 million harvest was, and Mr. Brooks said 1970.

Mr. Warwick asked which is the heaviest salmon population, and Mr. Brooks said pink salmon. Mr. Warwick asked what the potential harvest is on that and Mr. Brooks said 50 to 70 million. Mr. Warwick asked the population rating on the other types and Mr. Brooks said after pink salmon, red, then chum, silver, and finally, king.

Mr. Roys mentioned that the Gulf of Alaska is one of the best marine pastures in the world and is potentially very valuable in terms of salmon production, particularly with implementation of various kinds of technological advancements. He mentioned that the entire chum salmon production in Japan comes from hatcheries, and he mentioned that Japan, British Columbia, and other Pacific areas have been doing a great amount of research and that the Anadromous program is beginning to apply some of that to Alaska. He observed the reduced mortality rate in eggs when they are incubated as one example of how technology can increase the production and potential of an area. For this reason, he feels that the Gulf of Alaska's great potential as a marine nursery would lead him to make an estimate of considerably more than the 100 million Commissioner Brooks had just made.

The Commissioner commented that he and Mr. Roys have discussed this matter at length, and that Mr. Roys feels production should be able to go in excess of 200 million, given good environmental conditions. Mr. Brooks said that given good luck, he agrees with Mr. Roys, but feels that realistically, something always seems to interfere.

Mr. Roys said he wanted to make one last point as far as long range production, and that is that he thinks everyone realizes that agriculture is an important part of a stable economy. When you look at Alaska, you see that this is extremely limited in Alaska, being only feasible in certain areas. However, if you think of "aquaculture" as a form of agriculture -- especially considering the increased protein demand in the world -- the position of Alaska in the economy is much more stable.

Mr. Specking asked what has been done on the Snake Lake system, and Mr. Roys said that they have had some very intensive investigations and they have been monitoring the temperature of the inlet streams. Several agencies are cooperating on this. National Marine Fisheries has three of their key sockeye specialists in there. He said that they are "tearing the system apart" to understand what is happening. He noted that in the budget document there is a request for \$600,000 for second phase Snake Lake. He said that they are in the process of preparing another report on Snake Lake and it should be available within three weeks.

Mr. Specking asked if anything has been built there yet, and Mr. Roys said no, but that Highways has built the road. Commercial Fish renovated two structures at the outlet of the lake, but FRED has built nothing yet. It is all in the design stage.

Mr. Haugen asked what portion of the first \$600,000 they have spent so far, and Mr. Roys said about \$55,000. Mr. Haugen asked what they expect the total cost to be, and Mr. Roys said \$1.2 million. Mr. Haugen asked if these two separate appropriations will put them into production and Mr. Roys said yes. Mr. Haugen then asked in 1976 what they would plan to spend and Mr. Roys said probably they would be toward the tailend of the capital expenditure then. Mr. Haugen asked if they would then be asking for additional money, and Mr. Roys said that he would guess they would then be in a total operation dollar situation. Mr. Haugen asked what their cost per year to run this will be. Mr. Roys said that any estimates right now would be pretty wild guesses. It will depend on what the final design they end up with is. Mr. Haugen insisted on a more concrete response, and Mr. Roys, emphasizing vigorously that this is just a guess, said that it will probably be in the neighborhood of a \$100,000 per year operation. Mr. Haugen asked if they are going to have to buy some land in the Bristol Bay area, and Mr. Roys said that they will need some land. He said that they have worked on the land lists with the native corporations, and said that they have had very good cooperation and, backing this up further, Mr. McGill said that he has been told the corporations will support this in any way that they can and at no price. They have done everything they can do to cooperate. They have indicated their willingness to help, have worked with the local biologists, and he expects only a continuation of this support.

In response to questioning by Mr. McGill, Mr. Roys said that one of the things they are trying to do is to capitalize on the fact that there are many agencies with talented, senior scientific personnel vital to the state right now.

Mr. Barber asked Mr. Roys how much he figures their travel in FRED has increased. He said from a division-wide standpoint, it has gone up about \$10,000. The maintenance request increased that much which relates to the number of projects involved. Most of the increase can be related to the Anadromous program.

One of the reasons for the contractual services increase is the power needs for servicing all of the units.

The commodities increase includes the increased costs of fish food and other support items.

Equipment has gone up -- particularly maintenance on equipment. Mr. Roys noted that a lot of their equipment is tied in with capital improvement programs.

projects through from design conception on. He continued, stating that this came up first under Snake Lake. Actually, this position will be handling two regions, and again, he emphasized much of the value will be in the person's ability to pick up a project in the design stage and follow it through to bidding.

Mr. Warwick asked how much money has been spent on whitefish, and Mr. Roys said about \$44,000. Mr. Warwick asked what there is to show for it. Mr. Roys said that among other benefits, they now have a firm understanding of the life history of the whitefish, and a good understanding of gear development for this kind of fishing. Mr. Warwick asked what Mr. Roys would estimate the whitefish industry to be in terms of the whole state and Mr. Roys said that he would estimate the industry will eventually be a million dollar industry and maybe more. It is difficult to project.

Mr. Brooks noted that in some areas of the state he has been discouraging commercial interest in whitefish because of the high interest in subsistence utilization of the resource. Many of these whitefish populations are not large and do not yield a great deal of profit to anyone. He said that he has not given any permits in the Bristol Bay area for commercial utilization of the whitefish though he has given a few in Fairbanks. In response to questioning by Mr. Warwick, Mr. Roys said that he estimated there were 250,000 whitefish taken for subsistence on the Yukon Kuskokwim Delta last year.

In response to questioning about the cost of the whitefish program, Mr. Roys said that whitefish and clams are grouped together in the budget book and said that the cost factor is just about half for each.

Mr. Warwick asked what the potential for the salmon fishery in the state is in terms of yearly harvest, and Mr. Roys said around 100 million. Mr. Warwick asked what it is now, and Mr. Roys said that this year and the last couple years have been low points in the industry -- this year they are predicting 22 million. The reason for this is that the industry has been suffering the consequences of the exceptionally high natural mortality suffered by all salmon stock due to the severity of the winters of 70-71 and 71-72. Mr. Warwick asked what the harvest last year was and Mr. Roys said 21 million. Mr. Warwick asked what is the highest harvest in recent years, and Mr. Roys said 30 million. Mr. Brooks said that he would expect that we will see a harvest of 79 or 80 million at the end of this decade. He said that he projects it taking that long because he thinks that is the amount of time it will take before they start getting large catches of red salmon again in Bristol Bay. By that time also, if there isn't too heavy a natural mortality as happened in the early 70's, the pink and chum salmon stocks should be much more productive than they are now. It may well be five or six years before we are back up to producing at the level we should be producing.

Admin. &  
Support

Leaving Anadromous, and going on to Administration and Support, Mr. Roys said that the function of this section is to pull together those elements that are really not operational, but are true support elements. They have requested some additional clerical support this year. He said that if the committee will look at the capital budget, they will see that the Administrative and Support function is really fairly small.

Development Going on to Development, Mr. Roys mentioned that they are intensifying their efforts on fewer streams. For some of these they are going to have to have heavy equipment, but he thinks that eventually they will get this equipment out of the federal government.

Mr. Warwick asked what an estuarine rearing system is. Mr. Roys explained that the original name was saltwater rearing system, but estuarine, meaning both salt and freshwater, is a more accurate name. He said he was having to answer a lot of questions of people concerned because they thought the program really was putting fry into saltwater rather than fresh.

Mr. Haugen inquired about the clam program and asked if there is going to be a harvest. Mr. Roys said yes, once the approval from FDA comes through. Mr. Haugen was upset because this program has been underway for five or six years and has faced nothing but delays. Mr. Roys said that up until now they have been having considerable difficulty with the FDA, particularly getting them to realize that conditions in Alaska are different from those in the other states and that it is impractical and unrealistic to treat both areas the same.

Committee recessed at 10:30.

After Recess  
10:40 a.m.

Mr. Barber called the meeting back to order at 10:40. The committee now took up the Division of Administration and Support.

Commissioner Brooks began by noting that the general fund request for the entire Department of Fish and Game is a little over \$7 million, and represents less than 2% of the total state general fund expenditure. Thus it is a relatively minor item in the overall state budget, and he hoped that the committee could see that the state will not be bailed out of its economic crisis by shaving this budget. This less than 2% produces enormous benefit to Alaska. Even though the state is in a rather depressed period with respect to production of its fisheries resource at this time, there is still well over 1/4 million dollars a year of new money that is generated. This does not take into account the enormous economic impact of the recreational and subsistence resources. He said that he feels Alaska really is

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The deputy commissioner is engaged fulltime in foreign fisheries  
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left the commissioner with no staff support whatsoever. He has one  
secretary and that is it. He said that he has requested the restoration  
of one staff position for the Commissioner's Office, which brings the  
request up to \$155,000, which is still about \$10,000 less than 1973.  
There are no other significant changes.

Mr. Barber noted that the request is for a Special Assistant rather  
than another deputy commissioner, and he asked about the difference in  
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27, makes about \$2700 a month. This special assistant position will be  
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These are shown as new positions, but they are on board now. The  
Governor's Allowance is \$114,000 (\$89,000 for personal services) as  
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Mr. Specking inquired about radio and television programs, the wildlife  
notebook series, etcetera, and asked who pays for them. Mr. Roberts  
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# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

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they feel there are already sufficient pressures on these resources. Mr. Brooks said that it is true that with respect to some of the recreational fisheries resources the programs encourage participation -- particularly in such a sport as ice fishing. However, the thrust of their programs is not to encourage fishing and hunting. There are programs showing people how to butcher their animals, ways to take care of meat, and to increase understanding of management of these resources. He said that as far as he is aware, there are no programs with a deliberate thrust towards hunting. The point of these films, he reiterated, it just to help people appreciate better these Alaskan resources.

In Administrative Services, Mr. Roberts noted that this is a record keeping, warehousing, business management support function. \$1,280,000 is the request. 37% is for personal services, 19% is for rents of office space and warehouse space for other than state-owned office buildings; 4 1/2% for for insurance -- bonding on employees, special hazard insurance, fire insurance, etc.; between 10 and 11% is for maintenance of buildings and equipment; 11% is for redemption of ASHA bonds for facilities of the department as a whole; 6% is for telephone and telegraph services; and 5% is for supplies for all personnel.

Covering the increase over last year, Mr. Roberts said that roughly \$140,000 of this request was put in here to fund moving the Department headquarters out of the subport and into the Goldstein Building. The reason for this is that the subport building does not meet fire standards. He stated that this was not at the Department's request.

Mr. Haugen asked if they plan to make that move. Mr. Brooks said that he hopes not. He thinks they are better off where they are. He has discussed this with the Governor. Mr. Haugen asked what it would cost to bring their current building up to code. Mr. Brooks said that he thinks it might be fairly expensive, and that he is not sure what it would cost as he is uncertain how far they deviate from the code. However, he stated that in their present building they are all on one floor with several exits. He felt that at the Goldstein Building, he could see how people would be trapped by fire. He does not see their present facility as one in which it would be easy to be trapped. He said that he would like to stay another five years where they are.

Mr. Haugen asked Mr. Charney what the reasoning was behind this move. Mr. Charney said that the current building has been inspected and quite a lengthy report prepared on it. There is no fire wall between the nearby shop and the building. Budget Review felt that they did not want it on their conscience that one of the state departments was operating out of a building which had been reported by the fire marshall as not being up to code. The long range plan for Fish and Game is that when the Transportation Building is constructed and Highways moves into it, Fish and Game will move into the Highways facility in Douglas. Mr. Haugen asked what their intentions are then with the subport facility,

and Mr. Charney said that their recommendation is to tear it down eventually. Mr. Brooks said that there is more to the building than just the offices. There is storage space, warehouse space, and he sees no provisions for this storage elsewhere. Mr. Charney said that it would still be used for Fish and Game storage. He was speaking of the long term plan when he mentioned tearing the building down. Mr. Brooks said again that he feels that the Goldstein Building is much more of a trap than his present facility. The Governor himself did not comment on this, he said, but told Commissioner Henri of the Department of Administration, to get in touch with him (Mr. Brooks). This has not happened yet, however.

Mr. Brooks said that still another problem with the Goldstein move is that there are 55 cars that park at Fish and Game -- and this is even though they have car pools. He said that he does not see any way that downtown Juneau could accomodate another 55 cars on a daily basis. Yet another objection to the move is that the subport building has a small auditorium which is of enormous value and is in constant use. This would be sorely missed if they had to move. It is used several nights a week. He said that although he can appreciate the position Administration has taken, the move does not suit his own needs and obligations.

Mr. Specking -- along with some of the other committee members -- seemed to agree with Mr. Brooks as to the superior safety situation down in the current Fish and Game building as compared with the Goldstein Building. He noted that this seems to be another case where common sense has lost out to a set of regulations, and he made a plea for the common sense that seems to be disappearing these days.

Continuing, Mr. Roberts said that \$128,000 was requested for rental of new ASHA facilities, which have been authorized. For Kodiak, \$63,000 is the estimated rental; in Ketchikan, \$46,000; and in Nome, about \$20,000. They should be moving in in the current year. Mr. Haugen said that he understands the Ketchikan facility cannot even accomodate all the personnel it was intended for, and Mr. Roberts explained that what happened there is that the cost of construction rose after the estimates were made, and so the facility had to be built smaller than had been intended.

In personal services, there is one programming position requested. During the last year, the division underwent a federal audit and one of the points that raised the most problem was their methods for keeping time and attendance and their methods of computing time spent on federal projects. It is going to take extensive reworking of their present system in order to meet the federal requirements for this payroll records keeping. He explained that there are federal dollars and state dollars in the Fish and Game fund to pay the cost for this new position. This is the only new position they are requesting.

Engineer. The Governor's Allowance for Engineering Services for FY75 is \$102,800, an increase over this year's \$85,000. The increase is occasioned almost entirely by the addition of one position, that being an engineering technician operating out of Anchorage. As Mr. Roys explained, they have developed a close working team of engineers, but FRED as well as other divisions in the department, require a site supervisor. This will be someone with basic engineering knowledge but more experience on the construction site. They have concentrated the people they do have to a large degree in responding to rehabilitation needs.

Mr. Barber said that there is no question in his mind but that what they are initiating is the creation of an engineering section in the Fish and Game Department and he thinks that is a subject for legislative review and decision. He said that he can see the necessity in some instances and yet he feels they are facing that same situation not only in engineering, but environmental control, habitat, protection, etc. Mr. Roberts said that one consideration he feels is most appropriate here is that there is not a great deal of engineering capability that has a background in the natural resources, fish and game area. Some of these areas have very different requirements than what would be required from other engineers. Mr. Brooks said that at one time there was a Division of Engineering and Services in the Department of Fish and Game and it was growing into an identifiable engineering capability that would appear very similar to what might exist in Public Works. In 1965 the legislature saw this and worked it out by doing away with the Division of Engineering, but the department retained a Chief Engineer and some engineering capability because it had to have the kind of specialized talent with experience in engineering of fishways and hydraulics. The Department has gotten by with just that kind of nucleus until they started getting into the FRED programs and work of that sort began to expand rapidly. Now the need for specialized engineering services is greater. He feels this is a valid need.

Vessels Going on to the Vessels program, Mr. Roberts said that the request for FY75 is \$628,000. This is a maintenance budget. There is no particular change though there are some requested staffing changes. There are three new positions, crewmen for the M/V RESOLUTION. He said that the overtime factor is running quite expensive and there is a high turnover rate. This is the reason for the new crew members -- so they can double their crew. There isn't space aboard the vessel to carry two crews at once, but at least this way they will get better utilization of the vessel and reduce the high turnover caused in part by the dissatisfaction of people being forced such long hours so continuously.  
to work

Mr. Haugen talked about the RESOLUTION's alignment difficulties, clutch trouble, etcetera. He was concerned about unskilled,

unsupervised work having been done. Mr. Brooks said that most people feel the boat was sprung and possibly overstressed. There is also the possibility that the hull was bent, as if possibly the vessel had gone into a sea in a way that overstressed it. Mr. Haugen felt this would have been apparent immediately. He wondered about the skipper of the vessel. Mr. Brooks said that it was the same one then who ran it on the rocks. He is no longer with the department. However, Mr. Brooks repeated that that particular accident may have been caused by the boat's having been out of alignment. Mr. Brooks noted that the boat is faced with difficult sea conditions, and mentioned that there were 9 king crab vessels lost at sea this year, some of them bigger and better boats than this one. It is possible when boats are carrying water in bad conditions to bend the hull. There was further discussion on whether or not the skipper was liable for the difficulties or whether they were unavoidable. Mr. Roberts noted that at the time the appropriation was requested to purchase the RESOLUTION, the maximum use planned for it was 200 days a year, and last year in spite of the down time due to the accident, the vessel was still out at sea for 165, so it wasn't really down as much as some people have been saying.

Mr. Brooks emphasized the vital importance of this boat to the management and protection programs. They have one crew, which is not paid well enough to attract the best quality people. The Department is not competitive with what a good engineer or skipper can make privately. Mr. Haugen mentioned that they are getting three vessels into Protection, and maybe there will be a chance to work some of this out with them. Mr. Brooks said that that might be possible, but they are earmarked for Protection.

In response to questioning as to whether or not the biologists aboard the RESOLUTION on its trips pitch in with the crew work to be done, Mr. Rozier said that he thinks in all cases where their people are on board the vessels, permanenters are helping in all ways. He mentioned that the vessels are used in all kinds of programs -- their people are actually operating gear during the course of their work.

Again speaking of the difficulties presented in finding personnel, Mr. Brooks mentioned that due to low pay and long hours, they have actually had crew walk out in the middle of crucial jobs. This additional 3 man crew is important to relieve that situation.

Committee recessed at 11:45 a.m.

AFTER RECESS  
HOUSE FINANCE COMMITTEE  
February 23, 1974  
1:50 p.m.

Acting Chairman Haugen called the meeting back to order.

NAT. RES. The Committee resumed its consideration of the Department of  
MGMT. & Fish and Game budget.

ENV.  
CONSV. Mr. Robert Rausch, Deputy Director, Division of Game, told  
the Committee that his brief overview of the budget would show  
several major changes, but which will not reflect greatly  
changed funding.

Dept.  
Fish &  
Game

Game

Mr. Rausch stated that some change is inevitable due to the  
accelerated population growth associated with the pipeline.  
He said that the Game Division is undergoing a drain on its  
resources with increased demands of service.

The emphasis for FY 75 will be on recreational opportunity and  
quality rather than "providing a full bag". He stated that  
the Game Division was stressing the "demechanization" of the  
sport hunter by objecting to use of aircraft and snowmachines,  
and all-terrain-vehicles.

Mr. Rausch stated that federal legislation on marine mammal  
hunting (which allocated management jurisdiction to the federal  
government) has resulted in several adjustments in research and  
management activities.

The Game Division is also picking up activity in the function of  
sealing and tagging which had previously been covered by  
enforcement officers in the Fish and Wildlife Protection Division  
(Department of Public Safety); their decision to no longer continue  
this function places a greater burden on the Game Division.

Mr. Rausch said that the budget reflects a major change in  
temporary assistance; in the past fiscal year, there were  
absolutely no funds for such aid. Over 100 man months of  
temporary assistance, utilized to gather data, allowed the  
Division to carry a smaller permanent full-time staff. Mr. Raush  
stated that this situation has a direct effect on the Division's  
efficiency, and therefore, temporary assistance is again requested.

Mr. Rausch said that in the Southcentral areas of the state there is the need to identify and improve winter ranges for moose. To maintain the moose population in the Matanuska Valley, for example, with the increasing rate of subdivision, lands must be identified and the habitat improved through physically crushing trees in order to provide lower vegetation growth.

Rep. Barber stated that most of the crushing machinery has stood idle. Mr. Rausch said that was true; since the 1969 fire, the machinery has not been used, but it might be possible for the Game Division to utilize it for the crushing required in this program.

Mr. Rausch stated that the source of funds for the Game Division come from license receipts and federal funds; no General Fund monies are involved. The federal aid money is derived from the Pittman and Robertson Act (Federal Aid in Wildlife Restoration Act), and the amount has increased this year to \$2.1 or \$2.2 million. Mr. Rausch said they must match one license dollar for every three federal dollars.

Mr. Rausch stated that as a result of legislation in license funding, there has been a dramatic increase in the proportion of funds from nonresidents. Mr. Rausch stated that if the nonresidents challenge the increased ratio, difficulty might arise.

Rep. Barber asked if some Pittman-Robertson funds are being lapsed. Mr. Rausch stated that the funds have not lapsed since 1968-69. He added that if the proposed budget should be accepted, they would start cutting into a slightly increased backlog; if this is not done, they may have to revert \$1 million to the Department of Interior.

Rep. Specking asked how much money in license and tag fee revenues was taken in. Mr. Rausch replied that for the calendar year, \$1.29 was collected. Rep. Specking then asked if residual money from licenses and tags goes into the General Fund. Mr. Rausch replied that the money goes into the Fish and Game Fund. Rep. Specking said that therefore, there is a substantive amount of money in the Fish and Game Fund. Mr. Rausch said there has been a draw on that fund of approximately \$936,000.

Rep. Specking then asked Mr. Rausch if it is permissible to use any of the F&G Fund money for protection purposes. Mr. Rausch stated that an audit is still being conducted; the answer to the question will come after the audit's completion and whether it has been accepted or not.

Rep. Specking said "then you cannot use federal money for protection". Mr. Rausch said they are entitled to use their own license and tag money as they see fit except for protection purposes.

Mr. Rausch stated that you cannot use Pittman-Robertson money for protection, only for administration of the department. He said that the department has tried to set some money up for protection, but the proposal is now being audited.

Mr. Vern Roberts, Deputy Commissioner of the department, told the Committee that the balance of the Fish and Game Fund will be approximately \$780,000 at the beginning of the next fiscal year. Rep. Warwick then stated that the department will then have approximately \$1,000,000 at the end of FY 75. Mr. Roberts stated that they would have only \$450,000; he said the expenditures next year will be greater than the income. He told the Committee that they were looking at only one part of the "drawdown" on the Fish and Game Fund, but in actuality, there are other activities in the department which are funded by the fund such as the Office of the Commissioner, Administration and Support, and Hatcheries.

Rep. Specking then asked if the department felt that the present protection arrangement which is located in a different department is satisfactory. Commissioner Brooks stated that the job of Fish and Game law enforcement being done now is more satisfactory than the job done when this responsibility was in the Department of Fish and Game. He stated that the Governor transferred the protection function to the Department of Public Safety in order to bring about improvements--which, in fact, the transfer has accomplished. Commissioner Brooks stated that in looking at what the Department of Public Safety has done, he is satisfied that there has been, overall, considerable improvement. The Commissioner added that he can also see room for further improvement which could come about in either department.

Rep. Specking informed the Commissioner that departmental people in the field say there is a total lack of cooperation between protection people and biologists; communication is not effective. Commissioner Brooks told the Committee that he did not feel such a charge to be justified. He said the game and sport fishing regulations are set down in the regulation booklet; there are not many dramatic changes, and much hunting and sport fishing is done along the highways where Department of Public Safety have their people anyway. Commissioner Brooks stated that the regulations lend themselves well to the Department of Public Safety.

Regarding communication, between enforcement people and biologists, Commissioner Brooks said that at times it is difficult to coordinate people from both departments when there is an unforeseeable and sudden change in regulations. He stated that the Board makes the rules, but the actual management is often done by the manager in the field. Commissioner Brooks stated that the enforcement performance is under constant review, and if it can be proved that the present arrangement needs a more appropriate way of organization, then change the arrangement; but that is no reason to call it a dramatic failure.

Rep. Specking pointed out that the present enforcement arrangement is a topic brought up at every public meeting he has attended. Commissioner Brooks countered that this happened even before the transfer of protection to the Department of Public Safety. Rep. McGill stated that he, too, had heard many complaints on the present protection arrangement.

Rep. Warwick then asked Mr. Rausch to expand on the subject of demechanizing the sport hunter, as mentioned earlier. Mr. Rausch stated that the proposals for this program will go before the Board this April. He stated that there is too much illegal use of all-terrain-vehicles, aircraft and snowmachines. He said there is an Executive Order from the President calling for the designation of areas where such machines may and may not be used. The Division hopes to establish special use areas which would permit use of backpackers and horse-back only. Another proposal was to disallow big game hunting during airplane flights. Commissioner Brooks added that another possibility is to close the season early enough before snow-machines can operate.

Rep. Warwick then asked if the department had considered prohibiting hunters from using an area any closer than three miles from the roads. Commissioner Brooks stated that they are considering prohibiting taking of big game within 1/4 mile of the highway. He said that it is difficult for hunters to tell the difference between 1, 2, or 3 miles; they can, however, tell the difference between 1/4 and 1 mile. Comm. Brooks said the protection people agree with the 1/4 mile distance.

Rep. Warwick asked if a three-mile limit might have an effect on more animals coming closer to the highway. He stated that there was much criticism that people cannot see animals from the highway any longer. Commissioner Brooks stated that McKinley Park was open if people wished to view wildlife. He said they hoped to tell hunters to "pick" their moose three miles from the road.

Commissioner Brooks then informed the Committee that the department had just issued an emergency regulation closing a strip of 5 miles on each side of the pipeline. This is in response to a resolution passed by the Legislature approximately two years ago which asked that a 10-mile strip be closed to all hunting, trapping and fishing. Commissioner Brooks said that the 5-mile limit on each side of the pipeline just recently imposed is to prohibit big game hunting only. He stated that after talking to several legislators from up north, he had learned that there are native trap lines along those areas. The feeling was expressed that closing it to big game hunting would satisfy any real need for protection. Commissioner Brooks added that he did not want to see this applied to all pipelines or highway systems; he stated that if it is extended too far, an enormous part of land is being taken out of production.

Rep. Warwick then referred to the annual Delta Junction buffalo hunt. Mr. Rausch stated that the hunt was discontinued last year due to lack of temporary assistance, etc. they could not even fund all of their permanent personnel. He added that they may even have to line-item transfer to pay salaries. Mr. Rausch stated that the discontinuation of the hunt was a matter of establishing priorities, but Mr. Rausch did want to recommend reinstating the hunt.

Rep. Warwick then asked what budget the buffalo hunt had come under. Mr. Rausch replied that it cannot be identified specifically. Commissioner Brooks said it would fall under Management. Rep. Warwick pointed out that the Legislature had allowed the agency's request for FY 74. Commissioner Brooks stated that it was necessary to transfer temporary funds into permanent positions one year, therefore the following year's budgeting showed temporary funding request not as maintenance but as a change item; the change item got knocked out by the Governor's Budget Review Committee, therefore they got no temporary help.

Mr. Rausch added that the buffalo hunt did not merely involve manpower to guide the hunters in the hunt, but also involves the processing of several thousand applications and their verification. Mr. Rausch said they receive 3,000 applications a year.

Discussion followed regarding the Native Land Claims Act. Rep. Haugen stated that Alaska "got shot down" by accepting the 80-million-acres amendment to the land claims bill. He said that this will take potential state land away from us, and we should resist it. Mr. Rausch stated that the state has selected about 70 million acres and has approximately 20 million more to select. Rep. Haugen countered that the choice (tops of hills) was poor. Mr. Rausch stated that some selections were very well placed. Mr. Rausch stated that there is nothing that can be done as a department or state to prevent lands from going into one of the four federal systems.

Rep. Warwick then asked Mr. Rausch to explain the University of Alaska Cooperative Wildlife Research Unit. Mr. Rausch stated that the department has funded the program since statehood to train students in wildlife management fields. Mr. Rausch stated that they lean heavily upon this area.

Mr. Rausch said that federal matching money is available for use in constructing and maintaining shooting ranges near metropolitan areas. There have been many inquiries about additional ranges from various communities throughout the state; the activities setting up these ranges are just getting started, but it is a matter of assigning priorities to make public shooting areas available.

Discussion followed on competitive lease rates for airplanes. Rep. Warwick said he had heard that the department is leasing a plane from an air taxi company because the department is charging rates that are too high for the divisions to accept. Mr. Rausch stated that Frontier air Tax service did have competitive rates and that the division had leased a Super-Cub from the company because protection in the Fairbanks area was needed, and most of the department's planes had been assigned to the Department of Public Safety for their protection division. Commissioner Brooks said the department had one airplane now (a Beaver) which could not be transferred to the Department of Public Safety; all other planes went to that department.

Rep. Specking stated that he wished to discuss the Dall Sheep on the Kenai Peninsula, the cost to the state, and how it is improving sheep management in the rest of the state. Commissioner Brooks then stated that there would be no more ewes or lambs shot on Crescent Mountain by helicopter. He said that it is actually perfectly legal and has been done before in connection with departmental research. It allows more efficiency and creates less expense, but it will no longer be done. Comm. Brooks added that the department is now trying to figure out what they can salvage of the research already obtained with this new handicap.

Mr. Rausch told Mr. Specking that cost figures on the entire project (Dall Sheep management) could be presented to the Committee in writing in the near future.

Discussion then followed on sheep management. The old management concept is now being questioned, the idea being that taking only rams with 3/4 curl or larger would in no way endanger the population. Mr. Rausch stated that with increased hunting pressure, seasons must be shortened. He stated that there is a proposal that will come before the Board which consists of a permit system in Tok, allowing hunters to come in and shoot some curl rams. Mr. Rausch said there may be experiments on population manipulation done in Tok and Crescent Mountain to see if they can produce more sheep. He said that there is some indication on Crescent Mountain that it is successful.

Mr. Rausch stated that 800 hunters (sheep-hunters) were polled; the general public is divided on the issue.

Rep. Haugen stated that the same situation of increased hunting pressure exists in S.E. Alaska for deer. Rep. Barber told the Committee that he had introduced a resolution which passed in 1971 prohibiting the taking of cow moose. The Fish and Game Board failed to regulate or enforce the legislation.

Recess There being no further discussion, the meeting was recessed at 3:15 p.m.

AFTER RECESS  
3:15 P.M.

PRESENT

Mr. Haugen, Mr. Barber, Mr. Warwick, and Mr. Specking. The following people were present from the Department of Fish and Game: Mr. James Brooks, Commissioner; Mr. Vern Roberts, Director of the Division of Administration; Mr. Alex McRea, Director of Hatchery Services; Mr. Lou Bandirola, Deputy Director of Sport Fish. Mr. Charney, Director of Budget and Management, was also present.

NATURAL  
RESOURCES  
MANAGEMENT  
& ENVIRON-  
MENTAL  
CONSERVA-  
TION

Acting Chairman Haugen called the meeting back to order. He said they would continue discussion of the Natural Resources Budget category. He asked Mr. Bandirola to go over the Division of Sport Fish budget request unit.

DEPT. OF  
FISH &  
GAME

Mr. Bandirola said the FY 75 Budget reflected a decrease of approximately 4.7% as compared to the FY 74 budget. The funding for this program is derived from the Fish and Game fund license revenues and the Dingle-Johnson Program. He explained that the reduction was based on a verbal conservation with the U.S. Bureau of Sport Fisheries and Wildlife where they were told that current year allocations were going to be below expectations. As a result of this, reductions were made, and the budget reflects this information.

Sport  
Fish

The proposed budget for maintenance of federal grant programs shows a reduction of 6.2% over FY 74.

Mr. Bandirola referred to the summary. He said that the Research budget itself was at \$1,094,600, which reflects a decrease of 3.2%. He explained they reduced overtime benefit allocations which puts the decrease in benefits down to 14%. He said there were appropriate reductions in the other three categories. He noted a need for 9 months of temporary time and 1 full time position for the Mendenhall Laboratory in Juneau.

The Management unit request is \$586,400 and this reflects a decrease of 6.4% over FY 74. It reflects continuation of current projects scheduled for completion this year. There are some reductions in travel, commodities, and equipment. There is a slight increase of 7 man months temporary time and some contractual services to carry on programs presently involved with.

The request for Sport Fish Restoration is \$33,000, which is a 2.6% decrease indicative of reduced effort in associated projects they have been participating in.

The Administration and Support category requests \$111,900, which is a decrease of 1.4% basically a result of reduced benefits.

Mr. Bandirola thought it would be appropriate to indicate that the Sport Fish Program was geared towards recreational fishing efforts throughout the State. It has been remarked that in excess of 2.8 million man days were exerted in FY 74. By the same token, the business

Mr. Bandirola said that the budget reflects about 67% of expenditures in the Personal Services category. Travel covers about 8%; Contractual Services runs 13%; and Commodities covers construction of wiers etc. for operation of the Program at 9%. Equipment is about 1% of the total budget.

Commissioner Brooks said he would like to call their attention to the fact that there is no General Fund money at all involved in financing the Sport Fisheries Program. It is all license receipts and federal funds. This budget is reduced from the current Fiscal Year because of advance word that federal receipts would be reduced during the coming Fiscal Year. They had to make appropriate adjustments. Very recently they have been advised that initial estimates of federal allocations to Alaska were too conservative, and after all, they are going to be eligible for considerably more federal money than they have not provided for contribution of in the budget.

He said it was possible at this point to strengthen the Sport Fisheries Program considerably by utilizing the additional federal funds and additional license receipts in hand, if they are authorized to use them. This would create no additional drain on the General Fund, but it would strengthen their program at a critical time. Furthermore, he said they have no capability to evaluate the impact of pipeline work. They will hopefully have funds for monitoring the construction to be sure it is done in accordance with the stipulations.

Mr. Brooks believed it was reasonable in light of the knowledge that more federal funds are available on a 3:1 matching basis, and that since they do have the match money in the Fish and Game Fund from Sport Fishing License receipts, they could perhaps do the recreational people and the business community that benefits from this a considerable favor by altering the Administration's budget. He noted that he was probably off base in suggesting such a thing, but as he pointed out, there is money available which they didn't know about at the time the Governor's Budget Review Committee went over the budget.

Mr. Specking asked if the license fees from Sport Fish Licenses were lumped "all in one pot". Mr. Brooks said yes.

Mr. Barber said that it looked like Sport Fish and Game have essentially been self-financing. He asked whether the Governor's Budget Review Committee had dabbled with that License money at all.

The Commissioner answered yes and no. He explained that they did dabble with it. Of course, their feeling is that when they use the

fund, it is State money and they don't want to see it used for purposes that aren't justified & valid. Furthermore, they look at the possibility of using Fish and Game Funds in places where they could substitute it for General Fund, and in that way reduce the pressure on the General Fund. He explained that almost \$1 million of Fish and Game License Funds were transferred to Public Safety at the time that enforcement function was transferred. The Budget Review Committee examined the possibility of transferring additional funds this year of about \$.5 million, and Mr. Brooks strongly protested it. His reasoning was that although there is a slight backlog of funds, the bulk is going to have to be used now in matching the additional Personal Services expenses associated with collective bargaining.

Mr. Brooks went on to say that the law says that the Fish and Game Fund has to be under the control of the Commissioner of Fish and Game. He said it was possible for him to contract with Public Safety to do work for them, but the money was supposed to remain under his control. Otherwise, they would be in violation of the Federal Act, and subject to disqualification. He said it was a technical thing they could get around. On the other hand, he stressed that the entire program is sustained without touching the General Fund. He said there was no reason to transfer any of this Fish and Game Fund money away from the Department of Fish and Game. He said they would like to hold it and use it to strengthen the Sport Fish and Game program. He said they had the opportunity now to use some additional Fish and Game Fund money on a matching basis. He said he hadn't discussed it with the Governor or the Budget Committee because he just recently found out, but he was quite confident there would be no objection.

Mr. Barber asked to have a letter on the subject. Mr. Brooks said he would write a letter and give it to the Governor and his people, and if they concurred, he would give it to the Finance Committee.

Mr. Specking asked about an impact budget. Mr. Brooks replied they have no impact budget within the ongoing divisions. They have a separate request to the Legislature for a monitoring program. This includes some 12 positions. He added that Environmental Conservation had a similar request. He said the monitoring program would be financed by ALYESKA. Structurally it will be a surveillance type program. The Fish and Game people who would be funded by this Program would serve as staff for the State Pipeline Coordinator, Mr. Champion.

Mr. Charney pointed out that the Revised Program was before the Budget and Audit Committee. It has been held in abeyance somewhat. The Budget and Audit Committee directed the administration to negotiate to make sure the State costs will be reimbursable. He explained it was an early start for this Fiscal Year.

Mr. Warwick asked about reduced benefits, and Mr. Brooks said they were able to reduce benefits in Personal Services due to reduction of employee benefits which were originally calculated at 20%. They went down to 14%.

In answer to a question from Mr. Warwick, Mr. Bandirola said that in their current budget they have an economic survey to determine more accurate expenditures of recreational anglers. Boeing Computer Services has the Contract. This will get off the ground in the next month or two, and they will have the results next spring. One of the indications they have is that recreational fishing is of high economic benefit to the State.

Mr. Warwick asked what controls were put on to protect the sport fish. Mr. Bandirola said there were several programs. He explained that they could divert the pressure on to a less utilized area by advertising the potential and opportunity to catch fish and by offering an opportunity to catch various types of fish. There are various programs to gather basic information in order to more realistically control the population of fish.

[It was pointed out at this time that there was an error on Form 4A in two programs for the number of man-months in personnel. Form 662 and 663 will show this.]

Mr. Specking was concerned about whether they were running two separate clam studies. Mr. Haugen said there were five clam inspections in the State. Mr. Bandirola said that the Razor Clam Program that Sport Fish was working on was based on one of the largest recreational fisheries in the State. Their investigations on the clams is a management program to insure that the clams are not overharvested or depleted.

Mr. Warwick asked about fresh water clams and the possibility of transplanting them. Mr. Brooks said they would have to be very careful as the immature clam is a victim of several fish parasites. It might be possible to introduce disease to present fish stocks. He said that many of the lakes on the Kenai Peninsula have clams.

A discussion of the characteristics of Black Fish followed.

Habitat

Mr. Haugen said they would go on to discuss the Habitat section Budget Request Unit.

Mr. Brooks said that for two years running the House Finance Committee has attempted to defund Habitat on the theory that it duplicated the efforts of the Department of Environmental Conservation. They had prepared a thorough analysis to show how the functions of these two units differed and why they should remain independent of each other. He said the analysis was contained in the Budget Document on page 909.

Hatchery Services

Mr. Alex McRea, Chief of Hatchery Services, said that the functions of his section were fairly simple. It was a matter of providing kinds and sizes of fish to different sections.

He went on to say that the fish hatchery program has the responsibility for planning, designing and operating the Department's fish hatchery program, for the varied needs of Commercial Fisheries, the Sport Fish, and the Rehabilitation, Enhancement, and Development Divisions. This support is provided through the Kitoi Bay Hatchery, the Fire Lake-Fort Richardson Complex, and the Crystal Lake Hatchery. Headquarters is located in Juneau.

Mr. McRea explained that the Kitoi Bay station is out of Kodiak. In the past several years it has been more or less idling along. However, in this past year it has developed into a strong support activity for the FRED Division and their rehabilitation and enhancement work in that area. Fish & Game's part in the station has remained constant. There has been an increase in work effort and cost, but the charges now occurring and being funded are taken care of by FRED. Hatchery Services provides and operates the Station.

He said they have requested an increase in funding for Kitoi Bay that is related to lack of maintenance in the past. They requested an increase of \$22,000 over last year, making their request \$78,000 for the Station. Other than replacement of outmoded and worn equipment, there are no changes.

Mr. McRea said that in the Capital Improvements Budget, which as he understands is now a bond issue, they have a further request for upgrading the station. He stated that if something wasn't done to take care of these matters of many years standing, the station would in effect, close itself down.

Mr. Warwick asked why Hatcheries wasn't under Fred, and Mr. McRea replied that Hatchery Services provided services for all of the activities of the Department. To date it is more appropriate to operate as a separate entity.

The Commissioner said that part of the reason it was separate was that Hatchery Services was already a separate program when FRED was created and it continued that way attached to the Commissioner's Office. He said he saw an advantage in keeping it there. He pointed out that there was a certain amount of competition for the products of the Hatchery. If Hatcheries were under the FRED Division, there is a possibility people might assume that the FRED Program was given the highest priority. He admitted they had considered putting it under FRED, and eventually it may be that it should be there. He said he had discussed it with the Governor and had been told it would be all right, but after further thought and consideration, he had requested it be left where it is for the time being.

Mr. Barber noticed in the Lapse Fund Report that Kitoi Bay lapsed 15.6% of their money. Mr. McRea said that in FY 73 they had been authorized \$55.5 and had used \$46.8. He explained there were two things involved, the station coming off the line and pooling activity with development of FRED projects.

He explained that they tended to use lapsed funds in another station. He told them to check with the budget document where they would find they were authorized to spend \$176.5 for Fire Lake. It showed they had actually spent \$180.0 to keep alive. He said it was simply impossible to predict to the last dollar how much expenditures would be until about two months after the Fiscal Year.

Mr. Barber said he could understand the problem.

Mr. McRea said that in Fire Lake they have been seriously underfunded, and that part of it had inadvertently been initiated by error in budget preparation two full years ago. Part of this increase under maintenance at Fire Lake is to cover this approved but underfunded portion of the program.

Mr. Barber asked the current status, and Mr. McRea said that on paper they were \$25,000 under in Personal Services. They have \$5,000 to use between now and the end of the Fiscal Year.

Mr. Barber asked whether their budget was too low with the rising cost of commodities and service. Mr. McRea said he thought they were going to be tight again.

Mr. McRea said there were a couple of things that he wanted to bring out about Fire Lake. He explained that they had to treat the water in order to provide a disease free environment. The funding level prevents the effective application of water quality control techniques which would significantly increase fish viability and reduce fish mortalities as much as 15% in the 7 million fish and eggs handled annually.

A major part of the increase is to provide services and materials to upgrade the filter system. This is needed to apply knowledge of improved technology in operation of the reuse system as well as rebuilding one filter which was constructed temporarily a few years ago.

The increase in personal services is to provide a permanent full-time maintenance mechanic to maintain equipment and apparatus and permit personnel to spend more time rearing fish. There is also an increase of clerical help to provide support for the increase in production.

Travel increases are due to planting the added fish produced at full production level. Increases in contractual services consist primarily of added electrical costs in heating and recirculating water, vehicle travel in hauling more fish, and communications associated with increased production. Increase in commodities is almost entirely for more fish food required for increased production.

Mr. Warwick asked Mr. Charney when they would get the Capital Budget and was told it was at the Printer's and the last word was it would be ready on Tuesday.

Mr. Brooks said that in order to bring hearty first quality fish out of the Hatchery, they are going to have to up-grade the water sterilization system. They included this in the first budget, but along the line it was put into the bond issue section of the budget, which he said was all right, only it means that if the bond issue capital improvement program is not approved, they are going to continue to not get the benefit from the Hatchery, and this will actually cost money.

Mr. Barber asked if they held brood stock at Fire Lake, and Mr. McRea said they didn't, and it was something that needed to be developed.

Mr. McRea said they were very pleased to say that the Crystal Lake advanced fish handling and rearing facilities seem to be functioning quite well. There has been no major loss of fish and they have avoided disease problems. It is designed quite well. They have the same situation as Fire Lake in that they need to start developing suitable adult runs of fish for egg taking. He admitted they have seriously underestimated some of their costs and these are reflected in changes from the maintenance level. The major increase is to get into adult fish holding and egg taking business. At Crystal Lake they also have a request assigned high priority by the Department for reinstating some of the brood rearing facilities, which they lost when they couldn't pay for them.

Mr. McRea said that essentially the Headquarters budget remains the same. He said they had a directive from the Legislature the year before last to provide some figures on cost for various groups of fish handled in various ways. They are half way through the project, and have run out of funding. They are requesting additional part time help to give them the ability to provide this information.

Mr. Warwick asked how many people they had, and Mr. McRea said two full time employees, an administrative assistant and a temporary clerk typist. They are asking for permanent part time for 8 or 9 months to help them catch up with other matters.

Mr. Bob Grogan, Fiscal Analyst, referred to the status report of capital appropriations. He asked what the actual status was. Mr. McRea said they had somewhere more than \$50,000 currently matching on anadromous fish projects to double money and improve water intake systems. \$6,000 may or may not be involved since outstanding bills haven't been collected by the Contractor yet. They are withholding some \$9,000 also on some minor discrepancies. With regard to the \$3 million construction bond issue, this is the tag end of it now.

Mr. Vern Roberts noted that the unencumbered balance is only \$56,000. All the rest of the money has been spent.

Mr. Haugen said they had a report here on reclassification. There were a substantial amount of reclassifications there at no change in the budget.

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There was much discussion on this and much confusion. Mr. Warwick suggested that the Finance Committee discuss this with their staff, and at a subsequent date have them request what the Committee wanted in the way of information. The Commissioner said he would like to have Vern Roberts and their Personnel Officer work with the Finance staff people. The Committee agreed to this.

ADJOURN

Meeting adjourned at 5:05 P.M.