

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2566

HOUSE FINANCE COMMITTEE

February 5, 1974

1:45 P.M.

PRESENT

All members of the Committee except Mr. Haugen, Mr. Ose, and Mr. Ferguson. Mr. Jim Doogan, Director of the Alcoholic Beverage Control Board, and Mr. Jerry Couzins from his office, were also present.

PUBLIC
PROTECTION

Chairman Freeman called the meeting to order and turned it over to Mr. Meekins, Chairman of the Sub-committee on Public Protection.

ALCOHOLIC
BEVERAGE
CONTROL
BOARD

Mr. Meekins asked Mr. Doogan to begin testimony.

Mr. Doogan said that the budget requested was 38.5% over the FY 74 appropriation. He said it didn't do much in view of inflation. He said that as the Committee was aware, this past summer, his office was subjected to vigorous investigation by the Drug Abuse Committee of the Senate. He pointed out that they are understaffed at least as far as their office was concerned. They have been trying to indicate that for the past three budget submissions. As a result of that special investigation, he had submitted a budget to the Budget and Audit Committee and explained--as he had explained to members of the Senate at the hearing--that they were a creation of the Legislature and if they are to do their job officially, they are going to have to have their office staffed.

Mr. Doogan reminded the Committee that in 1971 the laws had been changed, and this had resulted in a tremendous work load on their office. The ABC office has traditionally been staffed by two women, and it was now impossible for them to keep up with the paper load in that office. It has been necessary to bring the Investigators in and make them do the clerical work. There has been no other way to get it out. One of the Investigator positions has been vacant. They couldn't fill the position because they had to bring in extra clerical help to take care of the paper load.

Mr. Doogan said he had asked for six positions. He put them down by priority and hoped that if the Committee felt it necessary to whittle their budget down, they would respect the priorities. Their main priority is to get the proper staff in the office so they can release the Investigators to do the job they are supposed to do.

Mr. Warwick asked what type of work the Investigators did, and Mr. Doogan said they make surveillance of the community's

police force and bars (owners and patrons). He went on to say that police forces in all organized cities get repaid for all license money collected in their locality. It is given back to them in order for them to police. It is the ABC Board's job to see that the police force is doing that. They conduct investigations into illegal activities and the bars. They keep people who can do something about it informed.

Mr. Warwick asked for an example of illegal activities. Mr. Doogan explained that last week they picked up a truck that came to Anchorage with 350 cases of Coors Beer. They also go into bars and watch to see how they handle their problems. They watch what the police do when they go in and out of the places.

Mr. Warwick asked why the local governments didn't do it. Mr. Doogan said they were supposed to. The ABC Board doesn't want to be a police force. They are more of a surveillance force. He told them that the City of Anchorage gets \$100,000 a year for policing the liquor industry, but if the City of Anchorage didn't do anything about policing minors and serving drunks, etc., it is something the ABC Board would want to know about. Then they could get the Commissioner to withhold funds until they do something about it.

Mr. Freeman asked whether some of the new positions they were requesting would help them to collect more money. Mr. Doogan said that some of them would. He said that in that regard it didn't matter which they allowed or disallowed. Either they would hire an investigator or hire a woman to take the place of an investigator in the office to release the investigators that are there so they could be investigators.

Mr. Freeman asked why they needed more people if they didn't have more licenses. Mr. Doogan replied that back in "the good old days" when they wanted to police a licensee, it was possible for them to just go in and close the place down for seven days. Now it is written into the law that they have to go through administrative procedures. Secondly, when the law changed in 1971 it automatically tripled their paper work.

Mr. Warwick stated that all of the money brought in by the ABC Board would come in regardless of whether or not they had an ABC Board, because it was a job of the Department of Revenue.

Mr. Doogan said that was right, but somebody had to do the work.

Mr. Couzins said that the Department of Revenue had nothing whatsoever to do with it. The ABC Board handles all of the paper work, does all of the directing and checking to see if

the licenses go out. After they have done all of the work, they send a "settlement" letter to the Department of Revenue.

Mr. Warwick asked what a beverage dispensary was based on. Mr. Doogan replied that referred to cocktail bar licenses. In communities with over 1500 people, licenses were \$1,000 each. If the community had under 1500 people, licenses were \$500 each.

Mr. Warwick noted that as far as adding additional staff on to bring in additional revenue, that wasn't the case. Mr. Doogan said that was right.

Mr. Meekins brought out the fact that they had just moved. He asked whether there was a significant difference in rent. Mr. Doogan said they had been paying 55¢ a square foot and now they were paying \$1.10 a square foot. He said they had been evicted from their old place. They were tenants of the Dept. of Revenue and the Department of Revenue and Sparks (the owner of the old building) had had a disagreement.

There was some general discussion about the eviction.

In answer to a question from Mr. Meekins, Mr. Couzins said that according to the statutes they are required to inspect every licensed establishment in the State at least once a year.

Mr. Meekins asked whether they have been able to do that, and Mr. Doogan said they hadn't been able to. He added that they hadn't visited them all yet this year and there was a question as to whether they would be able to.

Mr. Saylor asked if there were some areas they visited more often, and was told there were.

Mr. Barber asked whether they had given any thought to possible impact on the operations of the AEC Board due to pipeline impact.

Mr. Doogan thought that if they were given the positions requested, they would be in reasonable shape.

Meeting recessed at 2:25 P.M.

RECESS

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

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

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

Also present were representatives of Budget and Management.

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

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

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

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

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

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

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

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

Motor
Vehicles

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

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

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

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

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

Property Tax

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

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

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

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

Excise Tax

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

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

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

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

GENERAL
GOVERNMENT

DEPT. OF
REVENUE

Revenue
Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

can assess and what they can collect.

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

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

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

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

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

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

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

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

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

Mr. Boetsch said that concluded his coverage.

Collection
Division

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

The major changes in the Governor's budget include:

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

positions are essentially continuations of that office.

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

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

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

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

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

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

ADJOURN

Meeting adjourned at 4:20 P.M.

ATTACHMENT I

Department of Revenue
Audit Division

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

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

After Recess

1:40 p.m.

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

GENERAL
GOVT.
REVENUE

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

Fish & Game
Licensing

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

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

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

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

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

[Mr. La Rocca came in.]

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

[Mr. La Rocca left.]

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

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

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

Meeting recessed at 2:00.

After Recess
2:30 p.m.

PUBLIC
PROTECTION

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

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

Meeting adjourned at 4:30 p.m.

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HOUSE FINANCE COMMITTEE

March 7, 1974

8:35 A.M.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Mr. Joe LaRocca left the meeting.]

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

[Mr. Meekins left the meeting.]

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

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

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

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

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

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ED

EDUCATION STATE- OPERATED SCHOOLS

All members were present with the exception of Representatives Freeman, Meekins and Barber. Also present from State Operated Schools were Mr. Stanley Friese, Superintendent, Mr. George White, Associate Superintendent of Administrative Services, Ron Wesley, SOS budget officer, Omar Marshal, Director of Plant Facilities, Carol Borg, and other involved persons. Present, too, was Mr. Jacobs of Budget and Management.

Subcommittee Chairman Saylor called the meeting back to order at 2:15 and requested Mr. Friese to make an opening statement about his budget.

Mr. Friese said that one big factor affecting the budget this year has been the close cooperation and good working relationship among the parties involved. He feels that they have developed an accurate formula and accurate enrollment projections, which will be reflected in a more realistic budget.

Mr. Friese discussed the importance of accurate enrollment projections and a correct formula. With either inaccurate projections or the wrong formula, they can find themselves faced with inadequate custodial and clerical support. This happened in the past year and will affect the coming budget. By way of example he mentioned that according to formula, Birch Creek requires only 1 1/2 hours custodial work per day -- but the custodian with all of the many tasks he has to accomplish cannot do the work in less than 3 1/2 hours per day. The new formula will take care of this.

Mr. Friese mentioned that there has been a drop in military enrollment. They experienced a drop this year that created a significant problem for them. They had understood that if the military enrollment increased they could come back with a supplemental, but also assumed that by the same token if the enrollment dropped then they were under obligation to try to reduce the number of teachers. When they found last year that there had been a significant decrease in enrollment, and that this was continuing to reduce, they attempted to terminate a number of teachers. There was an injunction against SOS by the District 1 Education Association and SOS has now requested a decision as to whether or not it is legal to reduce the number of teachers if enrollment decreases significantly. Next year they have decided to employ on the conservative side which means that they may not start with a sufficient number of teachers and if they need to hire more teachers, many of the best teachers will no longer be available, but at least they will not be faced with the same problem as last year.

Mr. Friese said that their significant increases in enrollment for next year are due in part to the opening of seven new area high schools. There is also a change in the Boarding Home Program as the area high schools are opening up, and due to these two factors they are anticipating 800 additional students. This will have an effect on the foundation program.

Mr. Friese said that they are directly involved in a correspondence program now and they feel unsatisfied with the correspondence program as it has been operating and so want to direct themselves toward improvement of the program. They are planning a larger emphasis on inservice and curriculum development which they have had no emphasis on in the past. Adult education is another field which they feel holds a great deal of promise and want to go into more.

He said a challenge faced by SOS is increasing the output of their students. They know that their students are not achieving as much as they should. Increased emphasis on in-service training and curriculum development should help. He noted that there has been no plan for secondary education in Alaska, and this has been quite a problem. There are numerous questions involved: what will happen to regional high schools? what is the future of area high schools? what will become of the boarding home program? These are all questions that should be answered by a state plan for secondary education -- but there is no plan.

A program that Mr. Friese feels has been very successful is the bilingual education program. He noted that it needs considerable expansion, however.

Decentralization will be a major item through the year, and they will be dividing roles and functions of the central and regional offices in attempts at decentralization without overlapping.

[Chuck Degnan entered the meeting.]

Mr. Specking referred to the draft of a policy manual prepared for the SOS schools, and he said that he questioned how much flexibility the superintendents were being given under the decentralization when the manual was so very specific. Mr. Friese said that one reason it seems so extensive is that it is in draft form now -- its final form will be smaller and less cumbersome. He said that he feels one of their major problems up until now has been that their policy manual has been nothing much more than by-laws, and there has been no guidance or continuity offered. This way he feels that there will be no misunderstandings on what the general policies are.

Mr. Specking asked how this policy manual was produced, and Mr. Friese said that it came out of their Administrative Services fund.

Mr. Haugen said that he understands that regional dormitories are now unoccupied and wanted to know what the story is on that. Mr. Friese said that the Bethel Dormitory is under contract with one of the native corporations and they are running it the way they feel it is better run -- they have made more of a cottage system with people from the villages operating it. The Beltz dormitory is unoccupied. He reiterated that he feels that it is really important that a long range plan be developed so that a determination is made on how these facilities

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will be used. He noted that by changing the function of the dorm in Bethel some of the problems have been corrected. He felt that this should develop into a technical, vocational school rather than a school for everyone.

In response to questioning about the Kodiak dormitory, Mr. Friese said that it is being operated by the Kodiak school district.

Mr. Haugen inquired as to how the arrangement in Bethel was made with a private corporation. Mr. Friese first noted that this program is not through SOS but is through the Department of Education. Funds for operation of the dormitory were budgeted and then they contracted with the Corporation. The corporation was able to get significant Johnson O'Malley funds which has contributed to a successful program this year.

Mr. Haugen was concerned about what happened to the boarding home students the dormitories were built for, and asked if there hadn't been a need for these dorms. Mr. Friese said yes, there had been need and that where the need exists they are still being used. Also, additional boarding home students are sent to Fairbanks and Anchorage. In response to further questioning, Mr. Friese said that they have planned to build dormitories for 1,000 students in Anchorage and Fairbanks but will not be doing so as they have found the program not a successful one. Mr. Haugen said that if programs keep being attempted and then given up, bond issues for construction of school facilities are going to get harder to pass. People are going to want the state to have some kind of plan in mind. Mr. Friese said that that has been precisely his feeling -- some kind of long range plan is necessary.

[Reps. Barber and Meekins entered the meeting.]

Mr. Friese proposed a Governor's Committee of 1975 to develop some long range plans for the next 25 years. He said that until there is such a plan they are "running in circles," and that all the agencies involved in education need to have a part in development of the plan. He said that SOS is planning for decentralization but without a plan there are conflicts with other agencies who want more rapid decentralization, according to their plan, which upsets the plans SOS has worked out.

Mr. Saylor asked when the seven area schools are coming on line and if they are staggered, does the budget take that into consideration. Mr. White said that some are not scheduled to open until December, but at the request of the various communities SOS has been working to go ahead and begin school in those communities on a shift basis or whatever is necessary until the buildings are completed. If they don't do this, they will get into a lot of problems - students starting school elsewhere and coming back for Christmas and then

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refusing to return to school.

Mr. Warwick asked how many state boarding home students there are, and Mr. Friese said 1300. Mr. Warwick asked about the dorm facilities, and Mr. Friese said that the capacity at Bethel is 190, but it has never been filled to capacity; at Beltz it is 165; and at Kodiak, 150. Mr. Warwick asked which of these dormitories are operating, and Mr. Friese said that Bethel has 160 students, Beltz is not operating as a dormitory, and the enrollment at Kodiak is way down -- about 90, many of whom are Kodiak borough students.

There was further discussion on the Bethel dorm, and Mr. Friese was asked what the advantages of the native corporation running the dorm are. Mr. Friese answered that there has been criticism of the Department of Education for the way they have been running the program in the past. Now that the native leaders are taking care of it themselves, there really does seem to be marked improvement. They have brought people in from the villages to act as "parents" in the cottages. In addition, they are receiving additional Johnson O'Malley funds with which they are expanding their program -- i.e. in the recreational field. Mr. Haugen asked if these funds were not available to SOS, and Mr. Friese stated that it was not SOS but the Department of Education who was running the program and he did not know whether Education had tried for additional Johnson O'Malley funds or not.

Mr. Friese was asked if he is happy with the management of the boarding home in Bethel, and he repeated that it is not one of SOS's programs. He did say that he has always felt that it should be, but it is not. Mr. Warwick asked why it is not transferred into SOS, and Mr. Friese said that he does not know why. In response to further questioning, Mr. Friese said that they had worked for almost 2 years on the transfer and it was about to happen but then there was a threatened loss of Johnson O'Malley monies and they felt that was poor timing.

Mr. Haugen asked, in response to Mr. Friese's comment that Beltz is no operating as a dormitory, what it is operating as. Mr. Friese said that it is being used for teacher housing. Mr. White explained that there are 14 teachers apartments and there are some students living there. He was asked if students had ever lived in the dormitory and he answered yes -- 180 children at its peak. Mr. Warwick asked why there aren't any now, and Mr. White said because of the tremendous objection to dormitories coming from the parents and children. Mr. Warwick asked if the boarding homes are supplanting the dormitories and Mr. White said yes.

Mr. Warwick asked about the dormitory in Kodiak. Mr. White said that is it not full. Originally it was built for students from the Aleutian and Bristol Bay area. The children refused to come. Last year there were only around 20 students so the Department contracted with the

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Kodiak Borough school district and the borough is using it essentially for children in the smaller communities in the borough, plus the small number of children still coming in for school. Mr. Haugen asked what the borough is paying for this, and Mr. White said that he did not know as this is with the Department of Education and not SOS. Mr. Friese said that he thinks it is very minimal.

Mr. Haugen asked if the Bethel school system is under District 1 or SOS, and Mr. Friese said SOS.

There being no further questions on Mr. Friese's opening statement, Mr. Saylor asked that the committee begin going through the Budget Request Units for SOS. The committee went through, page by page, and the minutes include only those BRU's on which there were questions.

On page 35 of the short form, Rural SOS - Building Operations, Mr. Saylor said that with reference to the seven area high schools, he has been told that of the new schools being constructed now will not have utilities hooked up in time for the opening of the schools -- the generators have not been ordered, no provisions have been made with AVEC for power, no housing has been arranged for teachers. Mr. Marshall, Director of Plant Facilities for SOS, stated that up until last week this was true. They have been in the process this week of insuring that they would have arrangements with AVEC. Mr. Saylor asked if the generators have been ordered, and Mr. Marshall said that he does not think so, as far as AVEC is concerned.

Mr. Specking asked if SOS is signing contracts with AVEC at increased rates, and Mr. Marshall said yes.

In response to questioning by Mr. Haugen, Mr. Ron Wesley, SOS budget officer, said that their situation is this: they have presently 19 sites. There will be 23 in 1975. The budget request was based on the current contract with AVEC. The reason for the increase is due to the new area high schools and that accounts for the new sites. The new AVEC contract has not yet been signed and so increases can only be estimated based on that; the agreement with the Department of Administration also provides for additional changes in the rate structure itself, which obviously will affect these figures. Mr. Bob Jacobs of Budget and Management, clarified the issue stating that the Governor's budget includes the rate of 2835 (up from last year's 2400) and includes all 23 sites. There is a proposed contract amendment in the Governor's Office at this time and he said that he expects that there will be a recommendation for an additional \$200,000, figuring on three additional area high schools and a 10% fuel adjustment clause.

Mr. Haugen asked Mr. Marshall if he has any idea of the cost of the generators being installed, and he said roughly \$30,000. Mr. Haugen wondered taking that cost plus \$2800 a month to run, if the state couldn't do this more cheaply itself. Mr. Marshall said that they have made an

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analysis of the AVEC operations, and in some cases it would be cheaper for the state do do it themselves and in some cases considerably more expensive. Overall it appears that the cost of generation is very close to the AVEC rate of \$2400. Mr. Saylor asked if these rates are variable depending on the size of the school, and Mr. Marshall said no, that there is a flat rate, across the board. Mr. Haugen wondered about how the rate compared with private rates, and Mr. Marshall said that they are not the same -- the rate being paid by SOS is higher than, for instance, that of private homes. This rate was negotiated a few years ago. Mr. Haugen asked how much more the SOS rate is than the consumer rate, but Mr. Marshall did not know except to say that it is considerably more. Mr. Specking made the point that the schools obviously are subsidizing the private consumers.

On page 37 of the short form, Rural SOS - Administration and Support, Mr. Saylor said that figures would indicate the military enrollment makes up about 47% of SOS. Information on administrative functions presented to the subcommittee indicate that 18 to 20% of administration is tied to the military. Mr. Saylor wondered if perhaps that percentage could be increased so that should military schools be taken out of SOS and given to local districts, per pending legislation, the administrative costs could be reduced by more than 20%. Mr. Friese said that he realizes it looks that way but that it would be impossible for them to cut back 50% on administration. It is his feeling that if the military were to be removed from SOS, rather than beginning a cutback process he would like to see SOS built up from "scratch." In this way a realistic, viable program could be developed.

Committee recessed at 3:15 p.m.

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AFTER RECESS
3:25 p.m.
March 14, 1974

Present: All members of the Committee. Also present were: Dr. Josh Wright, Education Consultant; Rich Guthrie, Fiscal Analyst; Bob Jacobs, Budget & Management Budget Analyst; Rep. L. Wilson; Stan Friese, Superintendent of State-Operated Schools; George White, Associate Superintendent; Ron Wesley, Budget Officer, SOS.

Rep. Saylor, Chairman of the budget subcommittee on education, called the meeting back to order; the Committee resumed its consideration of the State-Operated Schools budget.

EDUCATION The Committee went through the budget by budget request unit. Rep. Specking noted that on Page 88, under Inservice Training and Staff Development that the SOS System had requested \$20,000 but were allowed nothing. Rep. Saylor told the Committee that this had been switched to the Administration & Support budget.

STATE-
Operated
Schools

Under Central Office, Instructional Media, Rep. Specking noted the request for a librarian and graphic artist. He asked why they were included in the central office. Mr. Friese told the Committee that a large part of the Percy operation is media development; SOS has programs such as bilingual education and must develop their own materials; these positions will aid in that development.

Rep. Specking then asked if there is funding in the budget for every item that teachers negotiated for. Mr. Friese replied that that was correct. Ms. Carol Ward from the Teachers Association, District I, told the Committee that to her knowledge, all items for which teachers negotiated are funded in the budget.

Rep. Specking noted that some items which should be under the Capital Budget might be brought up at this time. Mr. Saylor said that all capital budget items would be discussed at a later time. Rep. Barber then asked if this is the final meeting with SOS representatives on the operating budget before the full Committee. Mr. Saylor replied that Mr. Barber was correct.

Rep. Wilson then asked where "Student Travel" was located in the budget. Mr. Wesley stated that on Page 748 of the Governor's budget under Basic Instruction, student activity travel was listed as \$37,200 and teacher duty travel as \$75,000, coming to a total of \$112,200 for rural schools. On Page 1052, \$27,600 was listed for student activity travel for the military schools.

Rep. Ferguson referred to page 48, Exceptional Children and asked SOS to explain the \$117.0 request. Mr. Wesley stated

that the funding comes from two sources: federal funds through the Department of Education and the General Fund portion. Mr. Wesley said that the federal grant portion is \$117,000 less than the currently available information indicated that it will be for the next year. Mr. Wesley said that he believed that they are requesting another \$117,000 and he believed it has been forwarded to Legislative Finance.

Recess: There being no further questions, the Committee recessed at 3:40 p.m.

U OF A

JOINT SENATE & HOUSE FINANCE COMMITTEES

March 12, 1974

Tuesday

1:40 p.m.

Present: Senate Finance Committee members: Senators Butrovich, Groh, Palmer, Poland, Lewis.

House Finance Committee members: Representatives Freeman, Saylor, Haugen, Specking, Ose, Meekins, Warwick, Ferguson.

University of Alaska representatives: Dr. Robert W. Hiatt, President; Dr. Earl H. Beistline, Provost, Northern Region; Dr. Charles O. Ferguson, Provost, Southeastern Regional Center; Dr. Lewis E. Haines, Provost, Southcentral Regional Center; Mr. Max Hullinger, Vice President, Finance & Comptroller;

Members of the Legislature: Senator George Hohman; Senator Jalmar Kerttula.

Department of Administration, Budget & Management Division: Robert E. Jacobs, Budget Analyst; Myrton Charney, Director.

Also present were: Mr. Armen Sarafian, Project Director for Higher Education; Dr. Joshua Wright, Education Consultant.

Members of the press: Mr. Bob Miller, UPI; Ms. Elaine Mitchell, Educational Broadcasting; and Mr. Joe LaRocca.

Representative Oral Freeman called the meeting to order at 1:40 p.m.

EDUCATION

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Dr. Robert W. Hiatt, President of the University of Alaska, told the Committees that he appreciated their response in allowing the university this opportunity to express their thoughts and concepts relating to the budget over the next few years. President Hiatt stated that he did not wish to go into any specific detail at this time but would do so later with the Education program category subcommittees; he would like to take this opportunity, however, to indicate his views on university statewide development.

President Hiatt distributed copies of his testimony to members of the Finance Committees (see U of A budget file for "Testimony on Aspects of the University of Alaska, Budget Request for FY 75").

President Hiatt told the Committees that he is aware of the financial "pinch" the state will be in until pipeline construction is completed and the oil is flowing. Because of this fact, the University of Alaska has not requested, to any considerable

extent, any new programs; the budget is already \$4.5 million below the maintenance level which was approved by the Board of Regents.

President Hiatt stated that the growth pattern in Alaska will vary drastically from that in other states within the next few years; therefore, any comparison of the education system here will have to be done with careful interpretation. Considerable growth, due to the pipeline construction, is anticipated in the Anchorage and Fairbanks areas. The Southcentral region is experiencing rapid growth in all units of education, particularly in Anchorage at both the community and senior colleges. President Hiatt said the community college there will continue to experience a rapid growth due to the fact that it will be providing training for people working on the pipeline or on subsidiary projects.

President Hiatt said that although the Anchorage senior college is really just getting underway, the growth rate is quite rapid. The programs there will have to be broadened in scope to permit the institution to develop into a more fully functioning university; during this attempt, however, they must keep the statewide educational system in view so that programs in one institution will not necessarily duplicate those in another unless there is justification for duplication.

President Hiatt stated that the Kenai Peninsula Community College is a "booming" institution due to the oil operation impact; the worker population in that area increased by nearly 4,000 between 1965 and 1967.

President Hiatt told the Committees that the Kodiak Community College will continue to develop at a slower but steady rate. He stated that at an institution such as Kodiak, programs are related to the needs of the people in those geographic areas. President Hiatt said that one highly successful program was a fisheries technical workshop in which 1200 fishermen were registered.

President Hiatt then said that the Kuskokwim Community College is still an experimental effort. The population there is inadequate to support a comprehensive community college, but the university would like to see if this particular institution might work as a regional facility, and thus develop regional programs for the 50 communities surrounding the facility. President Hiatt said that the facility is growing and has penetrated a new market although there will be limitations in a community of that sort.

President Hiatt then presented a brief overview of the Fairbanks campus. He said that there is a drop of 12% in student credit hours produced this year (the guideline used to determine the

rate of instructional operation). President Hiatt said he could not explain the reduction, because it could be due to a number of factors such as the increasing popularity of community colleges, the lifting of the draft, etc.

President Hiatt then said that this year's drop will not necessarily be the future trend. In the past, the University's long range population trend has always been upward.

Despite advertisement to the contrary (discouraging people from entering Alaska for employment opportunities with pipeline construction), many "student-types" will come to the state. President Hiatt said that they will not be employed right away which will cause an increase in student enrollment at the University's Fairbanks campus. Relocated families will then come in to offset aberrant unemployed university-enrolled students.

President Hiatt stated that 60% of the students enrolled at the Fairbanks campus come from the North Star Borough. Any increase in the population in that borough which is inevitable because of the pipeline will increase the university's student population. Because of that factor, President Hiatt said that this year's drop does not mean very much; the University of Alaska anticipates a 10% increase this next year as a conservative estimate only.

President Hiatt told the Committees that for the Fairbanks campus, they had originally projected 77,000 credit hours in teaching output; the campus actually produced 67,000 this year.

President Hiatt said there are budgeting problems which are caused by a fluctuating enrollment. He stated that hiring of faculty takes place in the "lower 48", particularly for the Fairbanks campus, because full-time instructors are more readily available outside the state. The faculty, therefore, is stabilized one year in advance; if enrollment is down, the university must wait until the next year to reduce the faculty. President Hiatt said he froze all faculty appointments some time ago on the Fairbanks campus. As faculty members leave, they are not replaced unless the program is indispensable and requires replacement.

Using the credit hour production as an index must be used with caution. President Hiatt said that many aspects must be taken into consideration: the faculty must be qualified in relation to the level of instruction; a determination must be made as to whether the instructional area is a high-cost or low-cost area; and in terms of program development, is the institution

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mature, or is it in the early stages of development? Fairbanks maintains 57 programs leading to a baccalaureate degree as compared to Anchorage which has only 20 programs which lead to a baccalaureate degree.

Because there are many types of campuses in the statewide system, the University of Alaska cannot expect to meet the cost effective index in the smaller institutions as it can in Anchorage. President Hiatt stated that in a state such as Alaska, it must be decided whether or not to subsidize higher education (post-secondary) in the rural areas.

President Hiatt said that it had become obvious to him that with regard to the Fairbanks campus, there were too many options for the number of students enrolled. Because the Fairbanks campus was the only campus in the state for many years, the University of Alaska tried to meet the demands required; this resulted in 57 programs leading to degrees. President Hiatt said that only 20% to 25% of that figure is really needed. A thorough examination is now being made of student "turnout" in these major areas and how many students were graduating in these areas. Once the study is completed, programs that seem unnecessary will be pared down.

President Hiatt added that it must be determined which programs are needed for Alaska; although there may be a very small enrollment in some courses, the course may be indispensable.

President Hiatt then stated that by the time of the University's next budget preparation, they will have class sizes optimized and programs narrowed with a concomitant decrease in personnel. He said they hoped that if they do have a decrease in personnel, those people can be put in another part of the system (in Anchorage or Juneau, etc.), otherwise those people may have to seek jobs in other states.

President Hiatt then remarked that there is no other substitute for selective elimination of programs and courses. He requested that the Legislature allow him time to complete this task. He stated that he cannot "destroy the campus" in order to make the system immediately more cost effective. The task will take a few months to complete, and the new system will not really be cost effective until the University goes through another budget cycle.

President Hiatt then told the Committees about the University's request for a Community College in Fairbanks. This request was cut out of the budget, but a bill has been introduced to develop such a facility. He stated that the facility was necessary for that area; 20% of the total graduates from high schools in the Fairbanks area attend the University in Fairbanks. The remaining 80% consists of those attending other schools (10%) and those who terminate their education upon high school graduation (70%). President Hiatt pointed out that many high school

graduates wait anywhere from two to fifteen years to decide whether or not to continue their education. Some are discouraged because their grade point averages from high school don't meet the requirements of universities, but a community college facility which will accommodate all ages and programs would allow these people a chance to further their education, build up their gpa, and then continue in a senior college if they so wish.

President Hiatt said that a community college facility in Fairbanks could begin with relatively few funds. A director and program heads will be needed, and those people cannot be obtained from the main complex due to the difference in orientation in another type of education, but they can be taken from other community colleges; part-time instructors can also be employed in a community college. Classroom facilities and adult career facilities will be used in conjunction with the school district.

President Hiatt told the Committees that he would like to comment on the pay package which the Governor sent down to the Legislature as a result of the collective bargaining process. He said that the pay package included the University classified staff on the same basis as the rest of the state employees; the University's professional staff was included in the pay package as far as the salary increases, but they were excluded from the retroactive provision. President Hiatt then stated that during a meeting in Anchorage one week ago, it was requested that President Hiatt ask the Finance Committees to provide equal treatment for all state employees under the retroactive provision.

President Hiatt also wanted to point out that the pay package will amount to 15% for the average University professional employee which is 2/3 of the Board of Regents' goal to bring the salary average up to the level of other professional staffs in the nation. He added that the Division of Budget & Management had come within 1% of the University's own salary study when the Division had completed the administration's salary study; therefore, President Hiatt said the University has a firm recommendation to accept the pay package and include the professional staff in the retroactive pay raise.

Recess: There being no further discussion at this time, the Committees recessed at 2:20 p.m.

After Recess
3:00 p.m.

Present: All members were present with the exception of Representatives Barber, Meekins and Specking. Also present from the University of Alaska were Dr. Moyer, head of Planning and Institutional Study, Mr. Dick Holden, Director of Facilities Planning, Executive Vice-President Don Defoe, Morgan DeBoer, Lobbyist for the United Students of Anchorage, Susan Wellings, student reporter from the Fairbanks campus, Frank Murphy from the All Alaska Weekly, and Mary Beth Hilburn, Coordinator of the Drug Abuse Office.

EDUCATION
UNIVERSITY
OF ALASKA

Chairman Freeman called the meeting back to order. Dr. Moyer of the University of Alaska was present at this time.

Dr. Moyer mentioned the rapid growth of classes in the Anchorage system, and said that although he thinks the high schools should continue to accommodate many of the programs, there is a need for some additional University facilities, also. He said that even though they continue to use the high school, the University has an obligation to continue trying to develop the Anchorage campus.

Dr. Moyer noted that the Board of Regents did not see fit to recommend additional buildings for community colleges in either the Mat-su or the Kenai Community College. He mentioned that there has been considerable growth in Kodiak, Kenai and Mat-su colleges. (for example - last year's enrollment in Kodiak was 1500; this year's was 2200; next year's projected is 2500)

They are requesting GO bonds for an Occupations Building in Juneau. This would be for \$900,000.

Enrollment at the Juneau-Douglas Community College increased 14% this year. The Southeast Senior College, also at Auke Lake, increased 45% this year and they anticipate a 25% increase next

year. This has raised the question of land acquisition around the Auke Lake campus. He said that they really should have 25 additional acres to develop long range. They anticipate eventually 3,000 full time equivalent students and he said that it is time to face up to land needs. There is purchasable land around the campus (another 50 acres) and \$400,000 in GO bonds is requested for this land acquisition.

There is a \$250,000 request for roads, streets and parking at the Juneau campus. This is presently quite a problem.

There is a \$1,000,000 request for the second phase of the downtown campus - the Adult Education Center - for 10,000 square feet of

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classrooms, offices, labs, and conference rooms. Presently the Adult Education Center is meeting in a small church building which they are going to have to give up. They have acquired a site in the urban renewal area, however, across from the federal building. The programs in this center will have to do with capital employees - political science, secretarial skills, etcetera.

Dr. Moyer said that in Ketchikan they are requesting \$600,000 for building expansion. This is for an addition to their present shop facilities at the Community College.

They are requesting \$700,000 for phase II of the Community College program in Sitka. This will be added to the \$300,000 available from the 1972 bond issue to construct a 10,000 g.s.f. Community College facility. The site is being worked out in relationship to Sheldon Jackson Junior College.

[Mr. Specking entered the meeting at this time.]

Dr. Moyer said that they figure site selection will be completed in two weeks. Some of the first \$300,000 will have to be used for land acquisition.

The Northern Region, Dr. Moyer noted, is primarily made up of Fairbanks, although it also includes the Nome Extension Office.

The Fairbanks requests are largely to upgrade the current facilities. \$150,000 is for Life Safety modifications to the Physical Plant Building, consisting of closing and fireproofing ceilings, installation of a sprinkler system and second fire hydrant.

There is a \$175,000 request for addition of two fire exits from the gymnasium in the Patty Building. This is required by the Safety Code. This amount is also to correct the hazardous condition of the front steps.

There is \$200,000 for a Utilities Monitoring System (this is also requested for Anchorage). This is to install stop-start controls on existing ventilation and steam systems, plus security and fire alarm systems in all the campus structures. Mr. Holden said that they are getting life cycle costing of buildings set up.

There is \$250,000 for completing the fire alarm system. This means upgrading the existing system to comply with safety codes in corridors, stairs, janitor's closets, storerooms, etcetera. Mr. Holden noted that none of these costs relate to the new OSHA regulations, which will further increase needs.

\$750,000 is for enlarging the food facility, remodeling and expanding the central food preparation area, adding storage space,

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and enlarging the dining room capacity for more efficient and economical operation.

This relates to several problems. The museum presently is housed in a very old building that is a fire hazard, according to the fire marshal. The collection housed in the museum is an outstanding one, and there is much concern for its being in the facility it is. They have requested a museum building, but they are aware that the state at this time would have difficulty funding that at this state of its finances. Therefore, they are proposing that the lower commons be developed into a museum to hold the collection, the funding for which is in SB284, and the \$750,000 GO bonds be used to enlarge the food preparation area, etcetera, as noted above, shifting the food service and eliminating the dining hall.

There is \$850,000 for remodeling of the Bunnell Building to improve Schaible Hall lighting and acoustics.

There is \$100,000 for addition to the Patty Building, \$300,000 for upgrading of five dormitories, and \$1,000,000 for constructing an addition to the physical plant building to house chemical storage, warehouse, and maintenance shop.

There is \$250,000 for fine arts remodeling in the library building. Dr. Moyer said that the University was successful in its litigation against the architect of that building and got an \$888,000 settlement.

Mr. Haugen asked if the Marine Sciences Center is on the Fairbanks campus and Dr. Moyer said yes.

Mr. Holden said that the \$350,000 for the East Entrance Road Improvements relates to the Highways Department master plan for the area around the campus. If the money for this does not come through they will not comply with Highways requirements and will be unable to use the East entrance.

At the Nome Extension Center, they are requesting \$80,000 for site improvement. This is to clear existing debris from the site of the Extension Center, to grade, fill and plant the grounds, construct walks and service roads, and purchase academic furniture and equipment. They have found that the cost of construction is high and there is not enough money in the initial project funding to cover all this.

There is \$225,000 in for the completion of the Gruening Building in Fairbanks. There was a major problem here in getting the building constructed. There was a two-year delay and additional delay due to arbitration on that. Resulting judgment of the arbitration was that

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the state paid the architect \$26,000, \$20,000 of which they had to anyway. Mr. Warwick asked what about the \$1,000 a day penalty the contractor was supposed to come up with, and Mr. Holden said that the state did not get that. There was some discussion on arbitration versus litigation as means of settling problems with contractors and Mr. Holden indicated that it was preferable for the state to go to court.

After some continued general discussion on capital projects, Mr. Warwick asked Dr. Moyer if the University had a list of priorities for these projects. Dr. Moyer said that they are listed in the Capital Improvements book by priority, but Mr. Warwick said that was only priorities by region -- he would like a list of the University's priorities overall. Dr. Moyer said that they would try to develop this for the committee.

Dr. Wright proposed to Dr. Moyer that the University might like to consider a similar system to the utility monitoring system for classrooms -- i.e., what is needed per how many students, utilization of buildings, and such. He thought if there was some kind of system they could more easily anticipate what needs would be in some kind of realistic relationship to projected enrollments. Dr. Moyer said that he would like to study that idea.

Discussion then followed on the paving of Mallard Lane. Mr. Holden stated that they were successful in setting up a task force with the Highway Department and City and Borough. He said the City had said that they would try to improve Providence Avenue if the University would improve Mallard Lane on its own. The total project will cost \$600,000 and the University must pay 40%. At the present time they have no response from the agencies along that road.

Referring to the land acquisition, Anchorage Community College, Mr. Holden said that 15 acres will be traded. He added that the Public Health Services wants that land to build a Native hospital.

Regarding Anchorage Community College roof replacement, Mr. Holden said that in this case it is difficult to tell if the roof damage is caused by the original design or the contractor's failure to follow specifications. The roofs began leaking in 1971; they were inadequately repaired at that time.

Rep. Saylor asked why student housing in Anchorage had been continually put off until this time. Mr. Holden said that various people "keep moving it down the list of priorities". In 1973 there was a request for student housing which would accommodate 400. This request is identical and is convertible for married or single students. Dr. Moyer stated that the University has always encouraged private developers to build low-cost student housing; the cost of land, however, does not make this feasible.

Discussion then followed on Dairy Research Equipment in Palmer. This will allow the purchase and installation of two large and 4 small feed tower silos with automated loading and unloading equipment at the Matanuska Valley Farm and the construction and equipping of a heated calf barn adjacent to the cow barn. Mr. Holden told the Committee that at present, the calves were born in a milking shed.

Mr. Holden said that beef growers are pushing for a beef research center at Kodiak.

Rep. Saylor noted that there seems to be a discrepancy in items falling under the operating budget and capital improvements. He asked how these categories are determined. Mr. Moyer said that the Governor's Office decided where the items should go. In the University's original request, they had asked that the fire and garbage trucks come from direct appropriation.

Mr. Holden added that the present fire truck is "ready to go at any time". Regarding the garbage truck, the University cannot contract with any firm in Fairbanks; the City is the only service in the area, and the city will not service the University.

Mr. Holden then remarked that the University produces water at \$0.35 per gallon; the city would charge \$1.05 per gallon. The same situation exists for other services such as snow removal, etc.

Rep. Warwick then noted that with the parking situation in Anchorage, the University is spending \$500,000 to park 300 cars; another plan is to spend \$3 million to park 600 cars. He then asked if it might not be advisable to open up other areas of parking. Dr. Moyer said they are, in fact, opening up additional parking, and that will require access roads. Rep. Warwick said that it would be cheaper to open up other areas rather than authorize revenue bonds for 600 spaces. He said he cannot visualize enough students making amortization of bonds feasible.

Dr. Moyer pointed out that there is a problem of parking away from the campus and then having to walk the remainder of the way to your destination. Dr. Moyer said that they had completed a study of what it would cost to put a reasonable transit system in around the campus; nine buses are needed; the cost of amortization would be \$360,000 per year.

Rep. Ferguson expressed concern over the absence of projects for Northwest Alaska. Dr. Moyer stated that the request of setting up a community college (in Dillingham or Kotzebue) must come from the school district; the Board of Regents at the University does not. Dr. Dafoe stated that although this Six-Year Capital Improvements Plan is now being considered, it does not mean that revisions cannot be made. This is a projection for the moment only. Kotzebue and Dillingham will come into this project before next fall.

At Ease: There being no further discussion, the Committee called for an "at ease" at 4:05 p.m.

HOUSE/SENATE FINANCE COMMITTEES

March 19, 1974

9:00 a.m.

Present: Representatives Freeman, Warwick, Haugen, Saylor, Specking, Ose and Ferguson. Senators Sackett, Butrovich and Poland.

From the University of Alaska, Dr. Don Moyer, Don DaFoe, and Dick Hogan; and Myrt Charney, Budget & Management, were also present.

U of A
Bonds

Representative Freeman called the meeting to order and said the committees would consider the bond package for the University of Alaska.

Dr. Don Moyer stated that the G.O. Bond package being recommended by the University of Alaska is \$29.2 million.

Dr. Moyer stated for 1973-74 they have a 7% increase in terms of student credit hours. They are presently predicting an increase of 26,000 credit hours for 1974-75. Dr. Moyer said that in looking at the capital improvements for the next two years they used state projections as published by the State Planning Office and population estimates by the Department of Labor to make their projections.

Dr. Moyer listed the following proposed capital improvement projects for FY 1975:

Agricultural Research Center - Kodiak; 500.0.

Agricultural Research Center - Homer; \$300.0.

Dr. Moyer explained that Phase II includes a horticulture research building, slaughter house, fencing and road improvements. In answer to Representative Specking, Dr. Moyer stated that Phase I provided site clearing, access road, and a basic barn for corals.

Senator T. Miller entered the meeting.

Dairy Research Equipment - Palmer - \$150.0.

Dairy Research Construction - Palmer - \$250.0.

Dr. Moyer explained this will construct and equip a 3,500 sq. ft. enclosed and heated calf barn.

C.N.E.R. & I.S.E.G.R. Construction - Fairbanks - \$50.0.

This is \$50.0 to complete the 7th and 8th floors of the Gruening Building to provide additional office space for the Center for Northern Educational Research and the Institute of Social, Economic, and Governmental Research.

Institute of Arctic Biology - Fairbanks - \$10.0.

Equipment Purchase - Geophysical Institute - \$33.0.

South-
central

Classroom & Lab Building - U.A.A. - \$2,400.0.

Dr. Wright asked how many classrooms were involved. Dr. Moyer stated that this program can be quite flexible. This will be determined by the number of laboratories that will be established. Dr. Wright said that they would assume there would be 6 to 8 classrooms and the rest laboratory space. He asked how much it would cost to provide laboratory facilities in the building now under construction at the Sr. College. Dr. Moyer stated that the building under construction does have some lab facilities but they did not feel it would fulfill the need. Dr. Wright suggested that it would be more proper to hold off on a new building until after the study on the Anchorage and Fairbanks campuses is complete. Dr. Moyer answered that the University feels they "have to stay ahead of the needs." He added that this proposed building is flexible and can serve many different purposes.

Dr. Wright said that according to his mathematical projections there will not be a "classroom crunch until about 1980 at the Sr. College and 1978 at the Community College." He said on top of this they are proposing an addition. Dr. Wright stated that the University was not merely keeping on top they were "galloping." Dr. Moyer pointed out that it was not this simple -- it was not possible to use every classroom and every lab for every hour in the day. Dr. Moyer stated that there is also a problem of faculty offices and special labs and this space can be developed into a number of different uses.

Campus Center Complex - U.A.A. - \$9,500.0.

This project is to construct and equip Phase I of the physical education facility on the U.A.A. campus. Two students -- Morgan Reid and Bob Woodward -- spoke on the need for this complex. They stated that their athletic program now involves using high schools in constant rotation for their practice. They felt it would be very desirable to have this facility.

Maintenance Building - U.A.A. - \$1,500.0.

Dr. Moyer said they felt this project is well over due because of the physical plant development in the Anchorage area.

Science Lab Remodeling - A.C.C. - \$475.0.

Senator T. Miller left the meeting.

Lab Equipment - A.C.C. - \$475.0.

Vocational-Tech Lab Equipment - A.C.C. - \$100.0.

Cuddy Bldg. Expansion - A.C.C. - \$300.0.

Theatre & Performing Arts Equipment - U.A.A. - \$300.0.

Library Books, Instructional Materials - U.A.A. - \$275.0.

Dr. Moyer stated that the Regents feel strongly that this is a high priority.

Utilities System Extensions - U.A.A. - \$500.0.

Utilities Monitoring System - U.A.A. - \$200.0.

Providence Avenue Improvements - U.A.A. - \$270.0.

Dr. Moyer said that the City of Anchorage has been behind work on Providence Avenue. This will provide funds to widen Providence Avenue.

Scoter Circle Improvements - U.A.A. - \$500.0.

Dr. Moyer stated that the condition of Scoter Circle is bad. This will provide funds to pave the road and add parking for 300 cars.

Mallard Lane & A.C.C. Street Improvements - \$800.0.

This will provide for the paving of Mallard Lane and the paving of roads within the Anchorage Community College campus.

Land Acquisition - A.C.C. - \$100.0.

Dr. Moyer said they hope to have a three-way trade (City of Anchorage, Native Health organization and A.C.C.) to obtain 20 acres of land (North of Mallard Lane).

Site Improvements & Equipment - Bethel - \$80.0.

Roof Replacement - A.C.C. - \$180.0.

Dr. Moyer explained that the Anchorage Community College's roofing has not held up. They have explored ways to recover this from the builders and architects but have been unsuccessful. In answer to Representative Saylor, Mr. Hogan indicated these buildings are 5 years old.

Campus Student Center - U.A.A. - \$6,000.0.

Dr. Moyer stated that they hope to build a student center with the student fees paying for the debt service. He added that the operation of the building would probably come from the University's budget. Morgan Reid stated that this is their "prime interest." He said there are nearly 8,000 students enrolled and once a university gets to be this size they feel it is time for an activity center.

In answer to Dr. Wright, Mr. Reid said this is the number one priority as far as the students are concerned.

Mr. Reid referred to Dr. Wright's comments on classrooms at the Community College. Mr. Reid stated that at night these classrooms are full.

Total Energy Utilities System - U.A.A. - \$1,500.0.

Mr. Dick Hogan explained that they had proposed two years ago to the City of Anchorage that the University put on campus several gas fire turbines. He stated that the City is prepared to manage such a system provided the University can sell revenue bonds. During the amortization of the bonds the savings would be about 8%. When the revenue bonds are sold they anticipate a savings of about 25%. Mr. Hogan stated that they are putting in a grant application to HUD and hope to be one of the pilot projects. They hope to get as much federal money as possible. Representative Specking asked if they had reached a long term contract on the supply of gas. Mr. Hogan said they have had a series of conversations with Anchorage Natural Gas and they do not see any problem in the next 20 years in supplying the University with gas. He added that there is a 10 inch natural gas line that runs right through the campus.

Parking Structure - A.C.C. - \$3,000.0.

Dr. Moyer stated that they have parking problems at A.C.C. They have looked into the possibility of remote parking areas (with people being bussed in). He said they are facing the inevitable -- they have to go to parking structures. Dr. Moyer said they need authorization to get into the business of revenue parking.

Dr. Wright asked about the parking policy at the main campus at Fairbanks. Dr. Moyer said they had a fee of \$50 for reserved parking (per semester). There was a lot of controversy and this has since been reduced. There was a brief discussion and the meeting recessed at 9:55 a.m.

Recess:

HOUSE FINANCE COMMITTEE MINUTES

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HOUSE FINANCE COMMITTEE

June 17, 1974

4:50 P.M.

PRESENT Representatives Freeman, Warwick, Haugen, Meekins, Saylor, Specking, Ose, and Barber. Other members of the House of Representatives were also present. (Later in the meeting the following people arrived: Mr. John Elliott, Director of the Legislative Affairs Agency; Mr. Mike Peterson, and another member of the Attorney General's staff; Commissioner Byron Mallott and Deputy Commissioner Don Argetsinger from the Department of Community and Regional Affairs.)

Chairman Freeman called the meeting to order and said that it had been agreed that the Senate Finance Committee would deal with bills numbered 1 through 4, and the House Finance Committee would deal with bills numbered 5 through 9.

HB 9 Mr. Saylor moved and asked unanimous consent that they pass out HOUSE BILL NUMBER 9 (An Act making a supplementary appropriation to the Legislative Affairs Agency). Mr. Warwick objected because he thought there ought to be a breakdown of the \$62,000. Staff was asked to contact Mr. John Elliott, Director of the Legislative Affairs Agency, and have him come before the Committee immediately.

HB 5 While they were waiting, Mr. Freeman made a suggestion on what they could do with HOUSE BILL NUMBER 5 (An Act providing for the sale, exchange or other disposition of minerals obtained by the state as royalty under state leases or of rights to receive future mineral production under state leases). He thought they should take the Bill they had before them, and in the appropriate places, add language to the effect that any contract for state leases longer than one year's duration be subject to approval by the Legislature, which would take care of all of the big deals. He said he had talked to the Governor briefly about this, and at first look, he had found absolutely nothing wrong with it, although he wanted to talk with the Attorney General's Office. He added that the reason for the one year specification was that there might be some short-term small deals which were temporary affairs they wouldn't want to tie down too much.

Mr. Meekins thought there should be a dollar limitation instead of a time limitation.

Mr. Barber noted that Mr. Hartig had stated that he had HB 5 under his consideration with the possibility of a rewrite for the Finance Committee to consider. He reminded them that they had told him that HB 5 would be the last bill they would consider during this meeting.

HB 9 Mr. Elliott arrived at this time, and Mr. Freeman asked him to explain HB 9.

Mr. Elliott stated that the Governor had introduced this Bill at his request. The appropriation would only cover temporary employees and is based upon his best estimate of keeping employees to the absolute minimum for the Session--26 employees for a 15 day period. He noted that the Governor had written in that if any of the money was not needed, there would be an automatic lapse the day after the 30th day ends.

Mr. Specking asked about other expenses of the Special Session. Mr. Elliott replied that he had enough money left for the travel and per diem so that he wouldn't need another supplemental.

Mr. Elliott then went over the list of employees which he had used for his estimate.

Mr. Warwick asked what the other costs would be. Mr. Elliott replied that travel to and from Juneau would be approximately \$12,000. Per diem would be \$2,100 per day. He said there would also be minimal contractual expenses depending on the amount of xeroxing done, but it would be very minor.

There were no further questions.

Mr. Saylor reintroduced his motion. There was no objection, it was so ordered.

HCR 1 There was brief discussion of HOUSE CONCURRENT RESOLUTION NO. 1 (Relating to the issuance of bonds to finance mortgage loans for residential housing by the Alaska Housing Finance Corporation), however, it was brought out that this was one of the matters which the Senate had agreed to deal with initially.

HB 8 Mr. Freeman brought HOUSE BILL NO. 8 (An Act relating to the Bristol Bay Regional Development Council) up for discussion.

Commissioner Mallott and Deputy Commissioner Argetsinger arrived at this time, and Mr. Freeman asked Mr. Mallott to testify on HB 8.

Mr. Mallott said the purpose of this piece of legislation is to establish the Bristol Bay Regional Development Council in the Office of the Governor. He said the membership was specified in Section 2. The Council would have the usual responsibilities and perogatives of such a body to explore short-term and long-term factors with respect to development of long-term responses. The legislation is largely a State response to the concern of residents in that Region that the Bristol Bay economic base be broadened as soon as possible to off-set the kind of ups and downs their fishery has suffered over a period of years.

Mr. Mallott said that in their judgment, the capability does not presently exist to respond to the issue of how to get a handle on State responses to long term redevelopment of the Bristol Bay area. It was Mr. Mallott's Department's feeling that this kind of recommendation could well result in laying the ground work for that kind of response.

Mr. Freeman asked how many people were in the community. Mr. Mallott replied there were about 5,000 people and 29 communities that were pretty much directly effected by the fishery and that the ripple effect did extend to a number of other communities.

Mr. Freeman asked what the money would be used for. Mr. Mallott said that with respect to HB 8, the purpose of the Council was to develop-- before the convening of the next regular session--a broad kind of statement as to what the possibilities are for redevelopment of the Bristol Bay Region. The purpose of the bill and the appropriation is not in itself to provide jobs. He said there was another appropriation which would allow them to do that. The purpose of this bill is to allow them to get a handle on what is needed for long-term development of the Bristol Bay Region. They will be pulling together the type of information that does exist and pulling together new kinds of information. The result will be a package of legislation to allow the legislature to respond to the needs of that region.

Mr. Freeman asked the type of projects he envisioned. Mr. Mallott referred to his Department's report on Bristol Bay which had been distributed to each member of the Legislature that afternoon. One section of the report deals with a listing of the priority development concerns of every community in the Region. It accumulates projects in every community that could be gotten underway at the local level during this summer season. They have a fairly good handle on those projects in terms of dollars and where they are located.

Mr. Meekins asked about local hire. Mr. Mallott replied they expect that many of the projects would be set up and established comparative to the RDA type of project that his Department is responsible for now. He said they had a good capacity to do that, and that these were relatively small projects.

Mr. Mallott said that in this instance, the projects will be developed and established by the local areas themselves. He said that public works/labor intensive types of projects are the only adequate type of response that the State can move into.

Mr. Mallot went on to say that the people will work for what they get at projects that the community itself feels are important--not only in response to unemployment, but long-term beneficial types of uses to all of the residents in the communities.

Mr. Mallott said that in they Bristol Bay Region, everything they have been able to gather shows that the overwhelming economic dependence is on the Red Salmon Fishery.

Mr. Specking asked how much of the population of the Bristol Bay Region was in the Bristol Bay Borough and was told that it was only about 1/4 or 1/5.

Mr. Armour, Borough Manager of Bristol Bay, was in attendance. He said that he was the only employee of the Borough.

Mr. Warwick asked whether they had any planned movement to recruit these people to get them out of the Bristol Bay Area. Mr. Mallott said that a result of their meeting with the Federal Regional Council and the Governor's Office, was that the Department of Labor said they would follow up with recruitment in the Bristol Bay Region.

Mr. Mallott said the governmental agencies and the unions were working closely with regard to the Pipeline Project and local hire requirements were written into all contracts to the extent where that was not a major difficulty.

Mr. Warwick thought they already had the mechanics for doing what the Bill was trying to accomplish. He wondered whether it couldn't be done without a new Commission. Mr. Mallott expected that it could, if they had the dollars available to allow those agencies to do the intense short term work that is necessary. However, he said that it was necessary to develop something useful for the next regular Session. He said that none of the agencies that exist are able to do this--they don't have the programs or the staff that could be re-directed to do that kind of work.

Mr. Mallott felt he had a good handle on the limitations both in terms of staff time and dollars needed to gear up. He said that one of the real problems in the Bristol Bay Region is that in the past various uncoordinated separate efforts have been made. In government, Mr. Mallott said it has been his experience that when working in a critical situation like this, if they are going to do the job properly, it is better to set up a short-term structure that will involve the local people and do it quickly.

Mr. Warwick asked if they had delineated how the money would be spent. Mr. Mallott referred to page 14 of the Report. He said that was the sort of projects that could be accomplished.

Mr. Warwick asked if there was a fiscal note, and Mr. Mallott said it was being drafted.

Mr. Argetsinger said there would be an overall coordinator and a full time staff person. The remainder of the funds would be put into contractual services to cover at least six areas.

Mr. Ose asked how long it would take for the Council to be productive, and Mr. Mallot said they would gear up rapidly and pointed out that the principle basis of the appropriation was on the time factor.

Mr. Mallot said that most of the equipment is available now on the local level for their use. Where it isn't, they have talked with BIA and RuralCAP about having them assist in the area of needed heavy equipment.

Mr. Mallott said that the \$1 million would be used for supplies and labor.

Mr. Ose asked if there was any chance of federal monies. Mr. Mallot replied that two letters had been sent to Washington to the President asking that Bristol Bay Region be declared a federal Disaster Area. There has been no response as yet. He said they did meet with the Federal Regional Council from Seattle. The response from the Chairman was that they were presently trying to shake out their programs to see whether they could come up with any response.

The Committee wondered how many people could be employed. The statistics were unclear. Mr. Mallot said their survey reveals that between 1500 and 2,000 people in that region are traditionally employed as fishermen and that the cannery employed about 3300 during the height of the season. Over 1,000 of those are people who live and reside in the area. Other kinds of employment are very minimal at best. He said this was a region where virtually everyone capable of being employed is involved in the fishery.

Mr. Saylor noted that the Report said that approximately 4,000 jobs were lost this summer. This would mean there were only 600 kids in the region, and he said this was disproportionate to the rest of the State.

Mr. Saylor added that he didn't think \$1 million was going to solve the problem. Mr. Mallott agreed. However he said that the \$1 million was to be appropriated on the basis of what they could do in the relatively short time that exists in this summer season.

Mr. Meekins asked whether Mr. Armour thought 2,000 fishermen was a correct figure, and Mr. Armour thought it low. He said that for about 6 weeks there were 5,000-6,000 men fishing, although many of these were not full-time residents of the area. He felt the level of unemployment right now was around 40-50%.

Mr. Ose asked Mr. Armour how many men in his borough were unemployed, and Mr. Armour said 45-50 men who were year around residents.

Mr. Ose asked what the people were living on now and was told welfare or some kind of public assistance.

Mr. Meekins asked how many men in the entire area were unemployed because of fisheries, and Mr. Armour said he thought it was in the vicinity of 1,000 to 1,200 men. Mr. Mallott thought that was an "in the ballpark figure" and added that his Report showed very clearly where the people were. According to the Report, 2,640 people were over the age of 16.

Mr. Fink asked what the percentage was for labor and supplies in RDA. Mr. Mallot said it was 60% for labor and 40% for supplies. Mr. Fink reasoned that if they kept that same percentage, then there would be \$600,000 for employment.

It was brought out that the 1970 census didn't jive with the other figures. Mr. Armour said that maybe the figures were wrong, but the people were there and coming in everyday asking for assistance.

Mr. Mallott summarized saying there were labor intensive types of projects that will be useful and employ people. He said that the Report on Bristol Bay would answer a lot of the kinds of questions that had been asked. He said they were in the process right now of building a list of the kinds of projects that could be funded with this type of legislation. He pointed out there would be no beaurocracy, and that the Council would function as a funding agent. He said they realized that this was a fairly restrictive kind of response based largely upon what they can expect to accomplish in the summer.

HB 7 Rep. Meekins then moved that the Committee report out HB 7. He asked unanimous consent.

Mr. Hogan pointed out to the Committee that the bill should be amended to state where the funds are coming from, i.e. from the General Fund. The Committee had no objection to include this language.

The Committee had no objection to Rep. Meekins' motion to report out HB 7; it was, therefore, so ordered.

The Committee Report was signed as follows: (Recommending that HB 7 do pass with attached amendment), Freeman, Barber, Ose, Saylor, Meekins; Representatives Warwick and Haugen signed "no rec". See bill file for copies of amendment.

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HB 8 Rep. Specking said/had no objection to reporting out HB 8, but not in its present form. He said the bill had been badly drafted and referred to the words "total destruction". He said that the word "total" should be deleted.

Rep. Specking then moved and asked unanimous consent that HB 8 be amended as follows: Page 1, Line 13 delete the word "total"; Page 1, Line 14, insert a period after the word "fishery", and strike the remainder of the line; Page 1, line 15, strike the phrase "caused by federal inaction".

There being no objection to Rep. Specking's motion, it was so ordered. The Committee Report was signed as follows: (recommending that HB 8 do pass with attached amendments) Representatives Saylor, Ose, Barber, Freeman, and Meekins; Representatives Warwick, Haugen, and Specking signed "no rec".

Adjourn: The Committee adjourned for the day at 7:30 p.m.

HOUSE FINANCE COMMITTEE

June 18, 1974

8:15 a.m.

Present:

All members of the Committee with the exception of Representative Ferguson. Also present were Kent Dawson, Fiscal Analyst, Representatives Hartig, Fritz, Randolph, Laktonen, Malone, and Urion.

HB 5

Chairman Freeman called the meeting to order. The purpose of the meeting was consideration of HB 5, an act providing for the sale, exchange or other disposition of minerals obtained by the state as royalty under state leases or of rights to receive future mineral production under state leases; and providing for an effective date.

Representative Hartig distributed copies of a memorandum addressed to the House Finance Committee with attached copies of his amendment to HB 5, copies of a proposed Finance Committee Substitute by the Finance Committee, and copies of FCCS SCSHB 461 (an act providing for the removal, sale, exchange or other disposition of mineral obtained by the state as royalty under state leases or of rights to receive future mineral production under state leases) which had been vetoed by the Governor. (For copies of the aforementioned, see House Bill 5 file.)

Rep. Hartig said that the state will not be required to store in reserve oil and gas as the Governor states in his veto message to HB 461. The state must, however, make sure that industry forecasts can be met before entering into a long-term contract; an escape clause in the bill can prevent this type of mistake.

Regarding the royalty board, Rep. Hartig stated that his amendment reduces the number of members on the board from 7 to 5 (omitting the Commissioner of Environmental Conservation and the Attorney General). The Governor, in his veto message, stated that it is difficult to find people to serve on the board because they may have a conflict of interest (working for the gas or oil industry). Rep. Hartig stated that his amendment provides a conflict of interest clause. With regard to the membership of the board, Rep. Hartig said that another amendment would be to confirm all members of the board by the Legislature.

Rep. Hartig said that the state must protect its reserves and make sure it does not sell royalty oil and gas before it is too late; when it is sold, it must be made sure that it is in the best interests of the state. He therefore said that the Legislature, in joint session, should approve contracts made by the royalty board.

Rep. Hartig emphasized that the Board must be made up of professional people with competent experience, and not "political" choices.

Representative Freeman, Chairman, said he had spoken with the Governor regarding the legislative approval of contracts made. The Governor, "at first glance", thought legislative approval would be a good idea, but wished to check into the matter more thoroughly and speak with the Attorney General. Representative Freeman then asked Rep. Hartig what he thought of taking the bill as the Governor has presented it and amending it to provide for legislative approval on any contract for the duration of more than 12 months, and perhaps with a dollar figure considered as well. Rep. Freeman then noted that Rep. Hartig was very much concerned with the make-up of the royalty board.

Rep. Hartig told the Committee that what he would like to see in the future, and what the state really needs is a full-time energy conservation board similar to Montana's and similar to the Railroad Commission in Texas. He said he hoped that the Legislature would consider such a board during the next legislative session. Rep. Hartig said that a spot sale of 12 months and with 2 million barrels will result in approximately \$750,000 per day, therefore, \$300 million a year.

Rep. Hartig said that the Governor's main objection to legislative approval of contracts made is whether or not the Legislature would be usurping an executive function. Rep. Hartig said he spoke with Tom Fink, Speaker of the House, who had stated that in the past, some of the leasing has been done with legislative approval, but if the Governor enters into a contract for royalty oil and gas, and the Legislature must then approve the contract, there could be a question of whether the Legislature might be usurping the executive function.

Representative Freeman stated that he is not willing to compromise on this particular issue; the Legislature should approve contracts entered into. He added that he did not see any benefit of having a bill being vetoed by the Governor, but if they can come up with a bill that will require the Legislature's approval of any contract over a certain period of duration and/or dollar amount, this will allow the Governor some "leeway".

Rep. Hartig told the Committee that contracting will not be done overnight; it will be next Spring before the first contract is entered into.

Rep. Hartig said that the state can elect to take its oil and gas in kind or value on 6 months notice to the producer, the fact that natural gas contracts usually are 20 to 25 years in length, the state will be approached to

relinquish the 6 month election and to sell its gas for a 20 to 25 year period.

Regarding the royalty board, Representative Saylor said that one of the Governor's objections is that the board cannot be appointed until January. Rep. Hartig said that the board members can be appointed but can be confirmed by the Legislature during the next legislative session; this method is identical to the appointment of Commissioners, etc.

He said that it is imperative to have the board members made up of people with expertise--members who can help the Governor. Rep. Fritz stated that it is necessary to have experienced people to sit on the board. Rep. Warwick said that if board positions require seven years' worth of experience, then those people will most probably be currently related to the industry in their present jobs. Due to the conflict of interest in decision-making with these people, it might be difficult to find others who can sit on the board without a conflict of interest. Rep. Hartig responded by saying he knew of several attorneys and geologists in Anchorage who could serve without any conflict of interest.

Discussion followed regarding the possibility of members of the board abstaining from voting if a conflict of interest arose. Rep. Hartig said that one member might have a conflict of interest with four or five individual companies out of a total of a few hundred companies. Rep. Warwick pointed out that the language states that the members shall have no "official connection", which is very restrictive.

Rep. Hartig told the Committee that \$100/day for board members is not excessive, but rather the price the state should pay for individuals with expertise. The Committee Substitute also includes board procedures (quorum, votes, etc.).

Rep. Hartig stressed the importance of contracting ahead of time. (Rep. Warwick had pointed out that although the Governor said the creation of the board is necessary now, royalty oil and gas will not come on stream for three or four years.) Rep. Hartig said that people must know now in order to build chemical plants, set up markets, etc.

Discussion followed regarding the importance of determining who will get the contracts. Rep. Hartig said it is necessary to have an attorney on the board with not less than five years' experience. He said the Committee might consider having an attorney rather than a Petroleum Geologist and Petroleum Engineer because the state will still have the

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consultant under the bill who will hire Levy or some engineering firm.

Rep. Specking pointed out that the definition of the royalty board really points out a need for knowledge in economics. He said that attorneys, petroleum geologists, and petroleum engineers may not have the skills necessary in this aspect. Rep. Hartig countered that the board has the power of hiring an Executive Director, and that is where the state will be protected. He agreed with Rep. Specking that a knowledge of economics is necessary, but petroleum geologists are knowledgeable in this area.

Rep. Hartig said that it would not be necessary to list the occupation category (petroleum geologist, etc.) as long as the board members were "petroleum-related". He added that most economists are working for the industry or counseling firms at present.

Representative Barber asked Rep. Hartig what would happen if the Legislature overrode the Governor's veto, if he vetoed the bill presently under consideration. Rep. Hartig stated that if the Governor "attacks" it and a lawsuit results, there is time between now and next year to review the legislation, but at least there is something on the books for the meantime.

Rep. Barber pointed out that the approval by the Legislature of contracts entered into will be the crux of the matter. Rep. Hartig agreed. Rep. Hartig said that Stu Hall, attorney for the Legislative Affairs Agency, had stated that there could be a problem of constitutionality because the Legislature could be usurping executive functions.

Rep. Freeman asked Rep. Hartig for his opinion on the bill if they would take the bill as presented by the Governor and amend it by adding the provision that contracts are subject to approval of the Legislature. Rep. Hartig said that the bill would still not be agreeable to him because the royalty board is not being taken care of. He said that the Governor is asking the Legislature to create a board that already works for him, which is a disservice to the public. Rep. Freeman agreed with Rep. Hartig and said that the state has a strong Executive, but no matter what qualifications the Legislature might write into this legislation regarding board members, they will be the Governor's people. Nothing can be written into this which will get around the situation of the board being composed of the Governor's people without a veto; but the Legislature can keep a handle on it with legislative approval; to do anything else will only make it difficult for him to get people to serve on the board.

Rep. Hartig said that it would be possible to broaden the qualifications of the board members ("x" number of years of experience, etc.). Rep. Freeman stated that he would rather not see so many requirements for service but would rather see honest and intelligent men on the board who were serving the interests of the state of Alaska and could seek expert help if necessary. He said that finding men to serve with all of the qualifications mentioned is restricted.

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Rep. Hartig said that the engineer, geologist and attorney could be omitted and public members put on the board, but the Legislature should not give the Governor his own board back.

Rep. Meekins agreed with Rep. Hartig and suggested that public members should be appointed by the Governor subject to approval of the Legislature; the Legislature must take into consideration the competency (relating to petroleum experience) of the board members during confirmation, as well as consider the conflict of interest issue.

Rep. Specking told the Committee that the upgrading of legislative confirmation hearings will "never happen". He stated that the Committee won't, in one bill, change the Legislature's approach to confirmation.

In response to Rep. Barber's question of why there is a deviation in pattern with respect to ratification or confirmation of the Legislature for this board rather than other boards, Rep. Hartig said that in looking back at the past, he has seen appointments made of members to boards where expertise is not considered. He said the state of Alaska cannot afford such a situation in a matter of such importance as this.

Rep. Barber said that this legislation, then, was made deliberately to circumvent the appointments made by the Governor in the past. Rep. Hartig replied that that was correct.

Rep. Warwick said that Rep. Meekins' solution as mentioned above might be a worthwhile compromise.

Rep. Freeman said that the public members of the board should have experience. He added that the Legislature should have a basis for saying "no" on a confirmation. Rep. Hartig said that he hoped the Finance Committee's letter of transmittal (HB 5) might encourage the Governor to appoint people with expertise.

Recess: The Committee then recessed at 9:50 a.m.

HOUSE FINANCE COMMITTEE
June 18, 1974
10:35 A.M.

PRESENT All members of the Committee except Representative Ferguson. Representative Hartig and other members of the House of Representatives were also in attendance.

CSHB 5 Chairman Freeman called the meeting back to order and said they would continue discussion on COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 5. They were working on a rough draft committee substitute which had been prepared for them by Representative Hartig.

Mr Freeman suggested that on page 2, line 15, they delete the words "at least seven years" and that on line 18 through 20, they delete the sentence which reads "The public members shall include a petroleum engineer, a petroleum geologist and an attorney. Mr. Hartig agreed that that could be done. He added that they could say petroleum related industries, such as in the fields of exploration, development, production, and economics" on page 2, line 16.

Rep. Warwick said he felt it was important to say on what basis board members must be confirmed since this would provide more competent people. Rep. Specking disagreed saying that a legislator should be able to determine if an individual has the qualifications rather than basing decisions on language of confirmation. Rep. Specking said he felt that any language put in the legislation regarding confirmation restricts and detracts from the choice made. Rep. Saylor concurred.

The question was called for (the question being whether or not to add additional language as proposed by Representative Meekins and Warwick); those in favor of adding the language were Reps. Meekins and Warwick; opposed were Reps. Freeman, Saylor, Ose, Haugen, Specking, and Barber. And so, the motion to include additional language failed, 6-2.

Rep. Warwick said that with the adoption of Rep. Hartig's amendment regarding positive confirmation, Section 183(e) was not necessary. Rep. Hartig said that if provision is made for the Legislature to confirm all sales, Rep. Warwick may be correct. However, Rep. Hartig wanted to make sure that all facts were presented to the Legislature regarding these matters. It could be a serious matter with a sale made only because of the money involved rather than considering the economic forecast of the State.

Rep. Hartig said there is "zero planning" as far as future energy needs in the State except on a commercial basis. "Once you determine that you can sell it and you are still in doubt, you can enter into a long-term contract with an escape clause...".

Mr. Hartig had an amendment to the CS on page 4, line 28. He wanted to add a new section as follows:

Sec. 38.06.055. ACTION BY LEGISLATURE. In addition to the approval by the board required under sec. 50 of this chapter, no sale, exchange or other disposition of oil or gas or of the rights or waiver of the rights to receive future production of royalty oil or gas may be made by the commissioner of natural resources under AS 38.05.183 without the prior approval of the legislature by resolution concurred in by a majority of the members of each house.

Mr. Warwick moved that they adopt that amendment. There was no objection, it was so ordered.

Mr. Malone suggested that on page 5 of the CS, line 9, they insert the words "present and projected" before the word "local". Mr. Hartig agreed that this should be done. Mr. Warwick so moved. There was no objection, it was so ordered.

Mr. Warwick moved that they incorporate the new amendments into the Committee Substitute and adopt it. There was no objection, and it was so ordered.

HB 6 Mr. Freeman then brought up HOUSE BILL NO. 6 (An Act relating to the authority of the Alaska Pipeline Commission to order special fittings).

Mr. Hartig said that he had heard testimony on this before the Resources Committee, and that the State administration testified there was no need for it at all. Mr. Hartig agreed that it wasn't needed. The industry said they had no objections to it, although it was not needed. However, he said it couldn't hurt anything if they passed it.

Mr. Specking moved they pass it out of Committee with individual recommendations. The Committee agreed, and the bill went out with a "Do Pass Recommendation".

RECESS Meeting recessed at 11:50 A.M.

CORRECTION

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

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RECESS Meeting recessed at 11:50 A.M.

HOUSE FINANCE COMMITTEE

June 19, 1974

8:55 A.M.

PRESENT All members of the Committee except Representative Ferguson. Other members of the House of Representatives were also in attendance. Mr. Frank Bailey, Executive Director of the Alaska Plan Policy Board, and Mr. Joseph Jackson, Vice-President of the Alaska Plan Policy Board, were present to testify.

ALASKA
PLAN Chairman Freeman called the meeting to order and asked Mr. Bailey to explain the Alaska Plan. Mr. Bailey said it was a tri-party program including management, labor, and the minority community. The purpose is to facilitate minority hire in the construction industry, including the pipeline. He said that up until this point, the Plan has been virtually unfunded with the exception of an amount of money from Region X in Seattle to begin staffing. There is no actual operating cash. He said that it was true there were other organizations whose function it was to take care of recruiting and counseling of minorities. However, this is not being done. He said that the Alaska Plan is the Affirmative Action Plan that all contractors and unions are signatory to. He said they were here today to get State aid to the Alaska Plan.

Mr. Joseph Jackson, the Vice-President, spoke next. He said they had talked with the Senate Finance Committee, and they had added \$100,000 to SENATE BILL NO. 2 (An Act making special appropriations for financial assistance to oil-development-impacted municipalities and for extraordinary state services) for the Alaska Plan. He asked that the House Finance Committee agree with the Senate Finance Committee and fund the Alaska Plan.

Mr. Freeman said that he understood the Pipeline Companies themselves were to provide the training. Mr. Jackson replied that that only had to do with the Natives. The Alaska Plan includes Natives, but broadens it to include all minorities.

Mr. Jackson explained that in 1970, Secretary of the Interior Hickell sent three men to Alaska to hold public hearings on whether or not Alaska wanted the federally imposed Philadelphia Plan or to write a Plan to do their own thing. He said that they had testified they wanted to do their own thing. As a result, an agreement was drawn up. The Secretary of Interior and the Labor Department agreed with it. Somehow, it was never properly funded. The purpose of the Alaska Plan is to monitor, train, and implement minority hire.

Mr. Saylor asked what the Philadelphia Plan was. Mr. Jackson explained it was a plan which imposed federal restrictions so that each contractor, union, or city official had to hire "X" amount of minority people all at one time. There was a written specific goal. Alaska wanted a voluntary thing.

Mr. Jackson added that all of the unions and AGC have signed the agreement. Mr. Bailey pointed out that Alyeska has not signed, but that they require their contractors to sign.

Mr. Saylor asked if there was any fee to belong, and Mr. Jackson said that there wasn't.

Mr. Saylor questioned them as to what would be done with the money, if it was appropriated. Mr. Bailey said that it would go towards rental of an office building, staffing, salaries and benefits, subsistence, travel pay for minorities brought in for training periods, office equipment and expenses, supplies, and travel.

Mr. Saylor asked whether the State of Alaska was a signator. Mr. Jackson said that when the Governor gave an Administrative Order to the plan, it seemed to them that the State was endorsing it.

Mr. Saylor asked how much of the money would go into administrative overhead. Mr. Bailey replied that relatively little of it would be used for that since most of the staffing and administrative overhead had been pretty well absorbed in the Region X money they have.

Mr. Saylor asked how much their people were paid, and Mr. Bailey replied it was approximately \$1500 a month each.

Mr. Bailey said that up until the 1st of April, work had been done on a voluntary basis. After that, they received a \$71,200 appropriation from federal sources through Region X in Seattle.

Mr. Barber asked why this funding wasn't requested last session, and was told that the source they had had to represent them in Juneau failed to follow through.

Mr. Ose wondered how they contacted people, and Mr. Bailey said they connect with Operation Hitchhike, a National Guard Unit throughout the State. He said they would also have their own recruitment. He said they would do as much counseling throughout the State as possible.

Mr. Ose and Mr. Saylor both wondered what position the unions were taking on these people.

Mr. Jackson said the unions would take them into the unions and give them enough time to make the money to join, and they would have to go through the whole training program.

Mr. Saylor asked what percentage they proposed to get into the unions. Mr. Bailey said they expected to have 20.8% minority by the end of this year.

Mr. Jackson said that it was a 9 person Board, with two union members, two management members, 3 Native members, and one "other" member. Each person on the board is appointed by an organization.

The Committee went into a General Discussion at this time.

[Mr. Ernie Jones, from the Lieutenant Governor's Office, and Mr. Wayne Weeks, from Budget and Management, arrived at this time.]

HB 3

Chairman Freeman brought HOUSE BILL NO. 3 (An Act making special appropriations to carry out the provisions of ch. 76 SLA 1974) up for discussion. He said that the Senate had passed out a Committee Substitute, and that he would like to hear a comparison between the two bills.

Mr. Weeks explained there were two basic differences. One had to do with how they manned the field office. The Senate saw fit to lower the full time Administrative Assistant I to a Clerk IV on a six-month basis. They also reduced the equipment required and commodities. The other basic difference was they reduced the amount for the candidate pamphlet by \$75,000. Mr. Weeks explained that it would cost \$90,000 just to mail out the pamphlet first class. He noted that it was spelled out in the statute that they have to have the pamphlet.

Mr. Saylor noticed that the pamphlet was to go to 160,000-175,000 voters. He asked how many there were in the State right now. Mr. Ernie Jones said there were 150,000 now registered. However, he said more were expected due to the pipeline impact and more registries throughout the State.

Mr. Saylor suggested that they send the mail in a way other than first class. He thought they might be able to get it classified as educational material.

RECESS Meeting recessed at 10:10 A.M. so that the members could go down to the floor.

AFTER RECESS
HOUSE FINANCE COMMITTEE
11:20 a.m.
June 19, 1974

Present: All members with the exception of Representative Ferguson.
Also present were Fiscal Analysts Milt Barker and Kent Dawson.

HCR 1 Emmitt Wilson, Commissioner, Department of Commerce was also present to present testimony to the Committee regarding HOUSE CONCURRENT RESOLUTION NO. 1, relating to the issuance of bonds to finance mortgage loans for residential housing by the Alaska Housing Finance Corporation.

Representative Freeman, Chairman, called the meeting to order.

Referring to HCR 1, Commissioner Wilson told the Committee that the verbage in the resolution is strong enough in the opinion of the Bond Counsel so that he may now write a definite "moral obligation" opinion; this allows additional security for marketing bonds.

Commissioner Wilson said the number one priority in the state is housing. If it is possible to get this moral obligation to market bonds, it will be a valuable program for future housing in Alaska. It is hoped that they can do it within the interest rate of 8.5%.

Representative Barber asked what words were added in this resolution. Commissioner Wilson referred to Page 2 of HCR 1, Lines 7, 8, 9 and replied that the words "it is the intention of the legislature to appropriate to the fund the amount of money requested by the governor" had been added. He said that the resolution as passed during the previous session did not specifically state that it is the intention of the Legislature to appropriate. This intention now, however, determines the moral obligation of the Legislature.

Commissioner Wilson said that they will set up an annual capital reserve fund. If it is necessary to "dip" into the reserve account, the Governor is requested to include in the next budget enough to restore the funds. The Bond Counsel feels that is not specific enough; a moral obligation clause must be added.

Representative Warwick asked Commissioner Wilson to expand further on the capital reserve fund. Commissioner Wilson stated that in order to assure purchasers of bonds that money will be available to meet debt service, they are willing to

take whatever debt service is on the bond issue and take it out of proceeds of the bond sale to insure investors that they have one year's principle and interest to meet the next year's payment; if they cannot meet debt service, they have at least one year to figure out how to come up with the money.

Commissioner Wilson said they have talked with the financial advisors and those interested in the program of the Alaska Housing Finance Corporation to use its best efforts to issue bonds for the purpose of providing funds to finance mortgage loans for residential housing for persons of lower and moderate income and persons in remote, underdeveloped, and blighted areas.

Commissioner Wilson said that in talking with those interested, a \$20 million issue from 60 to 90 days after they get the moral obligation is involved. He explained that this type of program has never been done in the United States before (the Housing Corporation sold 100% of the mortgage issue). He added that they may have to privately place rather than put it out to competitive bid.

Commissioner Wilson told the Committee that the interest is tax exempt. Representative Warwick asked if they can issue \$200 million. Commissioner Wilson replied that it is conceivable but that they are a "few years away from it"; \$100 million is the figure for the first year of operation. Representative Warwick asked why they will not be able to issue more. Comm. Wilson stated that there is no reason to unless they have a need for them.

Representative Warwick asked if there is any limitation on the amount of the mortgage. Comm. Wilson said that 52.5 is the maximum.

Representative Warwick then asked the Commissioner if he knew how much money was loaned out last year. The Commissioner stated that the Housing Finance Corporation had already gone to bond for \$62 million; there were \$40 million worth of notes last month that they are buying mortgages for. Rep. Warwick asked if the schedule of limitations is drafted arbitrarily. Comm. Wilson said that it is established by the authority itself. It can be changed as easily as it is made up. The position of the authority is not to compete with banks, but banks are favorable toward them because they will be provided with funds to make loans.

Commissioner Wilson said a person will apply for a loan at a bank; if the individual meets the requirements, they will sell the mortgage to HFC.

Rep. Warwick asked about expanding the program to raise the limitations. Comm. Wilson said he hoped to drop the limitations entirely and make the program available to everyone; it is restricted now with legislation for low and moderate income. The next step is to amend legislation.

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Rep. Warwick asked if there could be any chance of losing the tax exemption. Comm. Wilson replied "no". He said that qualifying mortgages could be affected. The federal Office of Management and Budget tried through executive order; a circular was issued stating that all mortgages that were federally insured would not be eligible for tax exemption financing; this received so much objection from various states that they withdrew the circular.

Rep. Specking asked for the status of trying to overcome problems of financing the Fairbanks flood plain with people that are capable of paying back the mortgage. Comm. Wilson stated that they require 100% flood insurance be available and require it on the mortgage, therefore, they don't understand why FHA won't lend in this particular area.

He then stated that in packaging mortgages, safeguards are essential. 100% of a mortgage with 10% down required would have a risk exposure of 90%. They are also required to have private mortgage insurance, or 20% of the top. This results in a risk factor of 70%, so exposure is somewhat limited.

Comm. Wilson said that chances of their "dipping into the capital reserve fund are almost nil". The investors have the same concern as the Committee does about subsidizing people who can't make payments, but they are not lending to those people. The program is not designed to provide housing for low income people who cannot make payments.

Recess: There being no further discussion at this time, the Committee recessed at 11:30 a.m.

HOUSE FINANCE COMMITTEE

June 19, 1974

3:55 P.M.

PRESENT All members of the Committee except Representative Ferguson.

CSSB 3 Chairman Freeman called the meeting back to order and stated that they would consider COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 3 (An Act making special appropriations to carry out the provisions of ch. 76 SLA 1974).

Mr. Warwick stated that the money for Personal Services was sufficient. However, he felt they needed a little bit more for the pamphlet. In order to mail it out book rate with an educational break, it would cost \$42,000. They had requested \$90,000 to send it first class, but that was not necessary. Mr. Warwick said they indicated they needed \$80,000 for the pamphlet. Thus, they will need \$120,000 instead of the \$100,000 which the Senate allowed.

There was some discussion on the matter. Mr. Warwick moved that they change the \$100,000 to \$122,000 on line 13 of the Bill. There was no objection, it was so ordered.

Mr. Warwick then moved that the bill be passed out of Committee as amended with a "Do Pass" Recommendation. The motion carried 6:2, with two members voting "No Recommendation".

SB 4 Chairman Freeman brought SENATE BILL NO. 4 (An Act making a special appropriation to the Office of the Governor for the lieutenant governor) up for consideration.

Mr. Saylor moved that SB 4 be passed out of Committee with a "Do Pass" recommendation. The motion carried 6:2, with two members voting "No Recommendation".

SCR 1 Chairman Freeman brought SENATE CONCURRENT RESOLUTION NO. 1 (Relating to the issuance of bonds to finance mortgage loans for residential housing by the Alaska Housing Finance Corporation) up for consideration.

Mr. Meekins moved that they send SCR 1 out with a "Do Pass" Recommendation. The motion carried 7:1, with Mr. Haugen voting "No Recommendation".

RECESS Meeting recessed at 4:20 P.M.

HOUSE FINANCE COMMITTEE

June 19, 1974

5:40 P.M.

PRESENT All members of the Committee except Representative Ferguson.

CSSB 1am Chairman Freeman called the meeting back to order and said they would consider COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 1 AMENDED (An Act providing emergency financial assistance for oil-development-impacted municipalities). He then read to the Committee a letter from the Governor to the Speaker saying the Governor would have to veto CSSB 1 amended if it was passed in its present state as it would be unconstitutional. He also read Mr. Fink's reply to the Governor which said that only the Supreme Court of the State could decide whether it was unconstitutional, and he urged the Governor to file suit.

Chairman Freeman then went over the amendments which the Senate had added to the bill.

Mr. Saylor moved that they send CSSB 1 amended out with "individual recommendations." There was no objection, and it was so ordered. The bill emerged with five members voting "Do Pass".

CSSB 2 Chairman Freeman then brought COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 2 (An Act making special appropriations for financial assistance to oil-development-impacted municipalities and for extraordinary state services) up for consideration.

Mr. Saylor moved that they report CS SB 2 out with "individual recommendations". There was no objection, and it was so ordered. The bill emerged with five members voting "Do Pass".

ADJOURN Meeting adjourned at 6:00 P.M.