

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2626

Alaska is the second highest state on tax rate per gallon for hard liquor. Alaska is the seventh highest on beer tax.

All-State Cigarette Tax Rates and Taxation of Tobacco Products

Commissioner Stevenson said 7 states have a lower cigarette tax rate than Alaska. 28 states including Alaska do not have a tax on tobacco products (cigars, etc.) Senator Groh said if the cigarette tax rate is raised from 8¢ to 12¢, how much additional revenue would this produce? Commissioner Stevenson said about \$1.9 to \$2 million.

All-State Motor Fuel Tax Rates

Representative Specking asked the rationale for no tax on liquid petroleum gas. Commissioner Stevenson said the rationale was "an environmental set-up might be a better deal." Senator Groh said he did not think there was any rationale for no tax.

Representative Barber questioned whether or not a tax could be imposed on the tankers going to Japan. Senator Groh stated that he did not think the State could tax these exports -- it has to be a retail tax rather than a wholesale tax. Mr. Homer Burrell, Director of the Division of Oil and Gas, stated that in his opinion it is illegal for the State to tax these tankers -- this would be preempted by federal law.

Senator Ray entered the meeting.

Commercial Fishing Licenses Receipts, Calendar Year 1973

Mr. Kimlinger explained this schedule. He stated that the number of commercial fishing licenses has increased because of the limited entry. Representative Specking has what this increase is. Mr. Kimlinger said he did not have the actual percentages with him. There has been a marked increase in troll line and various gear types.

Sport Fish and Game Receipts, Calendar Year 1973

Mr. Kimlinger stated that with the advent of the limited

gas supply, there has been some speculations these figures might be a little high. He said they did not know what to expect as far as non-resident licenses. Representative Specking stated that he has not had any decrease in the number of inquiries. He added that most of the non-residents did not come to Alaska by automobile.

Gross Commercial and Sport Fishing and Hunting License
Receipts 1964-1973

Senator Ray noted that there were 6,658 25¢ licenses indicated on the schedule. Commissioner Stevenson stated in order to get a 25¢ license there is a family income limitation of less than \$3,600 per year. The applicant has to sign an affidavit indicating their family income is less than \$3,600. Senator Ray noted the number of 25¢ licenses had increased (in 1966 \$1,166 in revenue and in 1973 \$1,664). Senator Ray added there were approximately 700 more people (receiving 25¢ licenses) in 1973 as compared to 1965. Representative Specking said some of these "families" are probably adult single males and females. Senator Ray said the applicant would have to be in Alaska for a one year period. Senator Ray added that he was not opposed to the "normal Alaskan in dire need" receiving these licenses but he would question whether a person should have a subsistence license and be allowed to catch and sell fish. Representative Specking agreed there were some "real ambiguities" in the program. In answer to Representative Meekins, Mr. Kimlinger said there had been a study done on this in 1970 or 1971 that could be made available to the legislators.

Motor Vehicle Registration by Area 1962-1973 Calendar Years
Motor Vehicle Registration by Type of Vehicle 1947-1973
Calendar Years

Mr. Phil Wall explained the two schedules. Senator Groh said he had heard estimates that there were about 10,000 snow machines. He questioned why there were only 5,000 registered. Mr. Wall said the problem had been the lack of compliance. In answer to Representative Meekins, Mr. Wall said the only place they have received complaints has been from the Anchorage area. More than half of those who registered, registered with complaint.

Representative Specking questioned whether the number of licensed cars should be greater. He said he felt there

were vehicles with out-of-state licenses that should be licensed in Alaska. He wondered whether the people living in Alaska were aware of the requirement of licensing after they have worked in Alaska for 10 days. Mr. Wall said this has been a problem. They are working on a program which they will begin at Tok. They propose to put a decal on the tourist vehicles. The military has agreed to place decals on their vehicles. This will enable the Department of Public Safety to readily spot tourist and military vehicles and should help with enforcement of the 10-day requirement. Representative Specking suggested that an educational program would also help. Employers could emphasize the requirement to new employees.

Representative Meekins asked how they could improve the snow mobile licensing. Mr. Wall said he felt at the State level this would be very difficult. In the rural areas snow vehicles have replaced the dog teams. Senator Groh suggested that the snow mobiles could be licensed at the time the dealer sells the machines. Senator Ray questioned whether this would be just in view of the fact the snow mobiles cannot be used on the highways. Representative Freeman stated that he sells snow mobiles and was not aware of the licensing requirement. Representative Meekins added that licensing would help in proving ownership.

Senator Ray referred to Mr. Wall's comments on placing decals on vehicles at Tok. He suggested this should also be done at Haines. This was briefly discussed and the meeting recessed at 10:00 a.m.

Recess:

After Recess
10:45 a.m.

Present:

All members of the House Finance Committee were present with the exception of Reps. Warwick and Haugen. All members of the Senate Finance Committee were present with the exception of Senators Palmer and Sackett. The same persons testifying at the commencement of this meeting were present after recess, along with members of the press, interested persons, and Senators Miller and Rettig.

Chairman Groh called the meeting back to order at 10:45. Mr. Stevenson introduced Mr. Homer L. Burrell, Director of the Division of Oil and Gas, and the Acting Petroleum Engineer, Mr. Hoyle Hamilton.

Mr. Stevenson referred to page 54 of the Revenue Source Book which gives revenue projections from income, excise and other direct taxes, and asked Mr. Burrell to explain the oil and gas tax figures to the committee, which had wondered when the revised estimate figures had been submitted. Mr. Burrell said that these are the numbers that were submitted in November. He directed the committee's attention to a chart on the wall which was a graph representing production (in millions of barrels) versus time (in months and years). Mr. Hamilton explained that production is now slightly over 6 million barrels per month. They are estimating a decline in production of approximately 11% per year until the time when Prudhoe Bay begins producing (projected for July, 1977). At that time they anticipate a substantial increase carrying on until 1979 at which time they estimate production at 2 million barrels per day, which will be the pipeline's capacity.

Asked about projection accuracy, Mr. Burrell said that they have had within 1% accuracy in estimating production. However, the oil pricing situation is extremely volatile at this time and projections are extremely difficult to make. Prices are going anywhere from \$5 to over \$20 depending on who is buying and from whom. Mr. Burrell continued, stating that they have made some assumptions in making their forecasts. They have assumed that price controls will go off of oil. The Cost of Living Phase 4 expires in April but oil is under a new law which expires February 28, 1975. There have been various proposals to Congress which would keep controls on the price of oil -- should any of these proposals carry, the estimates will be inaccurate. The Department in its projections has made the assumption that the free market is going to control the price of oil, he reiterated.

Senator Miller asked what they are now estimating as the wellhead value at the Slope when production begins. Mr. Hamilton said that their forecast estimate is based on \$3.78 for today, and assuming that the price will escalate \$1 per barrel each year for the next four years and thereafter, 50¢ per year. Thus, by 1978 the estimate would be for a wellhead price of around \$7 per barrel.

Senator Miller asked Mr. Burrell if he feels that their approach to these estimates is fairly conservative, noting that it has been the policy of the state to take a more conservative approach to their projections. Mr. Burrell said that assuming the free market situation, it is a realistic estimate, he feels. Senator Miller asked what they would have estimated a year ago, and Mr. Burrell said probably about half of their estimate now. He noted that there have been two price increases in the month of December. He found the estimate for the price per barrel when Prudhoe is in production; it is \$6.89 per barrel.

Mr. Burrell read an excerpt from the Oil Daily of February 6, which stated that Union Oil has just posted for Signal Hill, 26 gravity crude oil free of price control, a price of \$9.45 per barrel.

Senator Groh spoke of the \$2 hundred million deficit facing the state and asked if there are any plans for conducting a lease sale this year. Mr. Burrell said that he doesn't know of any planned for this fiscal year. He said that there are a lot of considerations that go into an oil and gas lease sale. For instance, there are some exploratory wells drilling in the North Slope now -- what will they find? Who owns the land? He spoke of offshore land which is now in contention. The federal government has said that they will enjoin the sale if the state attempts to sell it. Also, he mentioned, the U.S. Army Corps of Engineers is required by law to make an environmental impact statement before there can be a lease statement. This would be about 3 years away from now. Another question is should the state lease those lands when people wouldn't even know if they will be able to drill them or not. There is a question of strategy, too; and he cautioned that by a forced sale value is discounted.

Senator Groh expressed considerable concern again over the financial condition of the state and stated that he felt it is important that the state examine now it's alternatives and if these alternatives require planning in advance perhaps it is time to begin these plans; for example, getting the Army Corps of Engineers to make preparations for doing their environmental impact study of the land in question.

Senator Miller asked Mr. Stevenson for more detail about two of the possible approaches to increasing revenue which the Administration had brought up last year and which Mr. Stevenson had earlier mentioned, those being an increase in the highway fuel tax and a timber severance tax. Mr. Stevenson said that considering the increased fuel costs, the former suggestion was probably unrealistic right now. The timber severance tax idea is based on the fact that for a number of years there has been no severance tax on timber, and this does seem a potential revenue source. Senator Miller requested more information on this and Mr. Stevenson agreed to provide it.

Rep. Freeman, referring again to the possibility of a lease sale, asked whether the state will be in a position of making less if this is a forced sale, and Mr. Hamilton said that any time there is a forced sale it is likely to be discounted.

Senator Rettig asked what the possibilities of a future lease sale on the North Slope are and Mr. Burrell said that there are some problems; the state does not have patent or even tentative approval on certain lands south of Prudhoe Bay that would otherwise be potential sites for lease. There is high potential there for both oil and gas, he stated, but the lands are under federal lease at this time, by in large, with some lands under private lease. These leases will expire soon, and when those leases expire the state could hold a lease sale.

Senator Groh asked how much land is available for lease near Prudhoe, and Mr. Burrell said that there are millions of acres, both offshore and on-shore. There are exploratory wells drilling today. Senator Butrovich asked how many exploratory wells are being drilled and Mr. Burrell said three.

Mr. Freeman asked Mr. Burrell how comfortable he is with the July, 1977, date for pipeline production. Mr. Burrell said that that is the date Aleyska is saying they will have it done. He said that under ordinary circumstances, those primarily being that construction in Alaska is nearly always delayed due to difficulty getting materials, weather difficulties, transportation problems, etcetera, he would add another year or so onto a projection like that. However, he felt that this is a matter of high enough priority that "all stops will be pulled" and money spent faster than would normally be good practice in order that this goal be met.

Mr. Freeman asked if it is not, in fact, a possibility that as a matter of national policy, the need for Alaskan oil might be so great that the federal government might offer assistance in

seeing that materials are provided as needed. Mr. Burrell said that he does think that that is a possibility, and that he thought that pressure from the federal government to get this moving will override the normally expected delays. Mr. Freeman asked if then a more optimistic production date couldn't be set, and Mr. Burrell said that he did not think it would be realistic to think in terms of anything before July 1977.

Senator Rettig asked what general fund surplus Mr. Stevenson calculates at the end of FY 76. Mr. Stevenson said that this is a question Mr. Eppembach could better answer, and as he was not present at this time, Senator Rettig held his question until he returned to the room.

Senator Lewis asked what measures the federal government would take to hasten pipeline construction. Mr. Burrell emphasized that he was saying "could" take, not necessarily "would" take. He said that essentially what they could do is to speed up delivery of raw materials by making this a priority. He said that he thinks the biggest problem is going to be the Valdez Terminal and getting enough iron for that.

Senator Lewis asked what is being done now, and Mr. Burrell said that they are moving as fast as they can in light of the fact that they don't have all their permits yet.

In response to continued questioning by Senator Rettig, Mr. Burrell stated again that assuming this high priority is placed on getting materials to the state, the normal delays will be offset, but that the earliest projection for completion of pipeline construction is July, 1977.

Returning to the lease sale discussed earlier, Mr. Meekins asked if the jurisdictional dispute is being litigated now or is it still up in the air, and Mr. Burrell said it is still up in the air. Mr. Meekins then asked if establishment of the Pipeline Commission will necessarily have an impact on the time it takes to complete construction and Mr. Burrell said that he did not think so.

Mr. Eppembach returned to the committee room and Sen. Rettig's question about the general fund surplus was posed to him. Mr. Eppembach said that assuming a \$459 million budget for FY 75 there would be a \$55 million deficit in FY 77. He said that it is difficult to focus on a particular month for the deficit taking effect; he would say these forecasts are made as of the end of the fiscal year, but in fact the months of greatest impact may appear at the beginning of the year when the past year's bills hit. This forecast was mechanically made for the end of FY 77. Senator Groh explained that what Mr.

Eppenbach was looking at is Run 4, which projects the \$450 million budget this year, and said that he feels it is unrealistic to anticipate only an 8% budget increase in 1976. Senator Rettig asked Mr. Eppenbach how the supplementals figure into these calculations, and Mr. Eppenbach said that they do not -- the \$450 million would be inclusive of all supplementals. Senator Rettig indicated that he, too, feels that Run 4 is unrealistic. Asked about the 8% increase, Mr. Eppenbach said that the 8% would not provide for a substantial increase in the budget, but would allow for normal growth. He said that he was building in a 4 to 5% increase rate for inflation and 2 to 3% increase for essential items.

Senator Groh felt that considering this year's 30% increase that an 8% increase is most unrealistic. He noted that if we figure on another 30% increase, the state will run into deficit considerably sooner than Mr. Eppenbach predicted. There was considerable discussion on this matter, and Senator Ray reminded the committee that the Governor can "red line" any part of the budget he wants to and so he has considerable control. He felt they were overlooking the fact that as Governor Mr. Egan would have considered the options that are available.

Senator Rettig asked Mr. Eppenbach how he expects the "gap to be bridged" between now and the time the pipeline opens. Mr. Eppenbach said that he thinks a balanced solution is needed. It was his contention that any single solution is unrealistic. One component of a balanced solution is the additional bonus sale spoken of -- but that timing of that and amounts of revenue that could be expected are information not made available to him.

Senator Butrovich asked if there is any chance, because of the "energy crunch", that the federal government might hold Alaska sales where the state still gets its 90% on the filing, and Mr. Eppenbach said yes, but that is only 50¢ an acre. Senator Butrovich said that he was aware of that but that it would mean rapid activity.

Mr. Burrell said that part of the problem in Alaska right now is the unavailability of land. The state has deed to lands tied up, offshore lands, lands for selection by natives; and just not too much land available for drilling right now. Mr. Hamilton noted that the federal government could not lease the Gulf of Alaska today if they wanted to. He noted that Nixon has directed the Army Corps of Engineers to proceed with an environmental impact study of that area, but it has not been done yet. They were given a year to do this. There is some question as to whether or not technology is sufficient to deal with some of the difficult climatic conditions in that area.

Mr. Freeman asked if it is correct that Mr. Eppenbach's function to the state is essentially that of a banker and Mr. Eppenbach said yes. Mr. Freeman, noting that of course a good banker

does not gamble too much, asked Mr. Eppenbach if speaking as the state's banker, if the legislature or the governor handle the budget in a manner such that in order to make it balance it is necessary to have a lease sale, would this be his recommendation. Mr. Eppenbach said that he feels to put oneself in the position of having to count on any one alternative is imprudent. He said that the state has several alternatives. One of these alternatives, though he was not saying that this was his recommendation, is debt financing. This would require very careful planning, however.

Senator Ray reiterated his contention that the Governor is the person to speak to about financial alternatives at this point.

Senator Rettig asked if short term borrowing by the state to "bridge the gap" is acceptable under Alaska's constitution. Mr. Stevenson said yes, that provision had been made at the time of the earthquake. Senator Groh asked if the administration needs any additional legal authority in case they should decide to choose the option of debt financing and wondered if that would require a vote of the people. Mr. Eppenbach said that he thought they should amend the statute because the intent of what was provided before was for intra-year borrowing and this would be longer term. He said it would not have to go to a vote of the people.

Mr. Meekins requested that budget projections be run off on the basis of a yearly budget increase of 10, 15, and 20%.

Adjourned: Meeting adjourned at 11:55.

SENATE FINANCE COMMITTEE
February 12, 1974
10:30 a.m.

Present: Senators Groh, Butrovich, Poland, Lewis, Sackett, Ray

Senator Terry Miller

Commissioner of Public Works George Easley, Executive
Director of Division of Marine Transportation Carl Mathisen

Joe LaRocca, news reporter, Mary Pat Murphy, Associated Press;
Howard Weaver, Anchorage News.

HB 490 am

Senator Groh called the meeting to order, and stated that the purpose of the meeting is to consider HB 490 am, a supplemental appropriation to the Department of Public Works, Division of Marine Transportation, in the amount of \$3,085,000. Senator Groh noted that the House Finance Committee report, which has been distributed, indicates the following breakdown:

1. Increased fuel costs	\$ 226,000
2. WICKERSHAM sales & maintenance	796,400
3. Wage & Benefit Increases	819,500
4. Skagway Terminal Repairs	207,300
5. New Positions	274,000
6. WICKERSHAM operation (10 wks)	761,800
	<u>\$3,085,000</u>

Information passed out by the Legislative Finance staff indicated the marine transportation budget for FY '73, '74, and '75 and the revenues for those years. Senator Lewis commented that if HB 490 am passes, the marine transportation budget for FY 74 will be about \$19.3 million.

Senator Groh called the committee's attention to a letter dated January 30, 1974 from Governor Egan to Senator Ziegler which advised that the plan is to put the Wickersham into operation on February 26 - April 30 (10 weeks), while the MV Malispina goes into the shipyard for an overhaul.

Senator Ray asked Mr. Easley to comment on the rumor that some of the employees on the vessels are arranging things so there are one or two vacancies of "required" personnel on each and every trip so they can supplement their own salaries. Coast Guard regulations and some of the employee union contracts require that we pay for these stand-by people. Mr. Easley replied that Senator Ray is referring to the "missing member" pay. The way it works that if somebody does not show up, the other men share the missing man's pay. Mr. Easley said he is unaware of any abuse in this regard, but he will check it out.

Mr. Mathisen stated that when somebody is missing, at the next port they put somebody on in order to eliminate this.

Senator Lewis stated that the last time he came up on the plane, there were six men traveling from Seattle to Ketchikan first class, and they said they worked for the Marine Transportation System and were traveling at company expense. Do we fly them from Seattle to Ketchikan at State expense? Mr. Easley said the only time we would do this is when we require a person to be there. For example, if the Wickersham started up again, we will fly people to Seattle. Also they have pass privileges on the ferries on a space-available basis, but must pay for their own stateroom.

In answer to Senator Groh's question, Mr. Easley stated that we estimate revenues from the Wickersham for the 10-week period to be \$350,000. This figure is based primarily on a comparison of last year's revenue for the Wickersham on the same run, and increases in traffic we have had this year.

Senator Groh asked what the Wickersham makes per year. Mr. Easley replied last year's income for the Wickersham was about \$1.4 million. He recalled that the cost was about \$2.5 million.

Mr. Easley remarked that about 80% of all revenues is made from May to September. The winter months are very small, normally. However, we have had a big year out of Seattle this winter. The Malaspina has a standby list--350 were on the last sailing, which is phenomenal for this time of year.

Mr. Easley stated that the reason the Wickersham is needed is that the Malaspina goes into dry dock for 10 weeks for an overhaul. They had planned to put the Matanuska on that run, but there is no way the Matanuska can handle the volume out of Seattle during this period.

Senator Butrovich wanted to know what happens after the 10 weeks is up. Mr. Easley replied that the Malaspina will be back on the line after the 10 weeks is up. He further explained that the Malaspina will be put on the run the first of May, and at that time the Wickersham crew will be transferred to the Columbia for orientation, and the Columbia will start to run on May 31. Senator Ray asked if that was a firm date. Mr. Easley stated that he met with officials of the shipyard last week and they said they will have it ready for delivery on April 26. He said they have already booked passengers on the Columbia so if delivery is held up, he would expect the shipbuilders to reimburse the State for lost revenue.

Responding to Senator Sackett's question, Mr. Easley stated that about 650 passengers are booked for the first sailing of the Columbia. It is booked solid for June, July, and August. He stated that they have not booked passengers on the Wickersham for the 10-week period because of the uncertainty of getting the supplemental appropriation.

Senator Sackett asked whether we are serving primarily Alaskan passengers or tourists. Mr. Easley replied that this time of year it is pretty mixed.

Senator Ray commented that the Wickersham is ready to go right now. It can be ready to sail within 7 days.

Senator Groh referred to the Wage & Benefit Increases at \$819,500. How could we have miscalculated that much? Mr. Easley stated that it was not a miscalculation. Last year they provided funds in their budget for wage negotiations and they were removed from the budget and put into a central fund for all employees. Later, all those funds were removed. He stated that during that time three of their union contracts expired which put them in a tough spot.

Senator Ray said he recalled that it was "sidelined" because of the expected increase in state employees' pay which didn't go through, and the wage and benefit increases were never put back in for marine transportation.

Senator Sackett asked how much the administration requested for marine transportation last year? Does this bring it up to what the Legislature cut back or is it additional? Senator Groh replied that we apparently allowed a small increase for personal services last year, about \$100,000.

A brief discussion followed concerning the committee members' recollection of whether or not wage and benefit increases were included in the marine transportation budget last year. Senator Ray stated that it was discussed both in the Senate Finance Committee and also in free conference, and was not included.

Senator Groh asked if the whole Wickersham crew has been kept on while the vessel is being reactivated. Mr. Easley replied, "no." He said there is a basic crew of seven to maintain the machinery. When the decision was made to bring it up to class, they increased the crew to 17. Right now they are in the process of painting, so they have a crew of 32. Senator Ray stated that when he inspected the vessel the first week in January, there was just a skeleton crew aboard. The extra people were put aboard when the decision was made to bring the Wickersham up to standard.

Senator Groh asked if there is litigation pending on the sale of the Wickersham. He also asked Mr. Easley to report on what happened in that regard. Commissioner Easley explained that, although he was not directly involved in the sale, it is his understanding that the contract for the sale was signed in September 1973 and provided for an earnest money payment of \$2 million. The buyer indicated that rather than pay the earnest money, they would pay the whole thing by transferring funds from a bank in London and the First National Bank of Seattle. That never happened, so the Attorney General filed suit against the lines on about October 15. Service

was made about the third week in October. Mr. Regan of the Attorney General's office is representing the State in that suit. Senator Lewis asked for Mr. Easley's opinion of what kind of chance we have in this case. Mr. Easley replied that he understands that in the international suit (against the international banking corporation,) the Netherlands government has to grant permission to the State of Alaska to sue them, and it must be tried in a court over there. He said he suspects that it will take quite a while.

Senator Groh asked if there are any potential sales now. Mr. Easley replied that he does not know all the details, but he understands there are at least two offers that are pending. Senator Groh asked if any monies will have to be spent to fix up the Wickersham after its 10 weeks of operation. Mr. Easley replied that it is completely up to class now. He can't imagine why we would need to put more money into it, barring an accident.

Senator Ray explained that the usual procedure is for the buyer to view the ship while it is in operation. Seldom do buyers inspect the ships in dry dock. He said he did not anticipate that we would have to spend any more money bringing it up to standard.

Senator Groh questioned Item 2 in the House Finance Committee Report--Wickersham sales & maintenance at \$796,400. Mr. Easley stated that this was brought about because the funding for the Wickersham discontinued on October 1, 1973. All expenses since that date are included within that figure. Senator Ray explained that the majority of that amount was for putting the Wickersham into class, fixing doors, etc. In other words, bringing it up to agreed terms of the sale. The maintenance, except for the crew of seven, is probably around \$150,000.

Mr. Easley further pointed out that at the time the sale was scheduled, they were aware that all of their licenses would expire, so the \$796,400 to bring it up to class is an expense that would have occurred anyway. He noted that those funds have already been expended. Senator Lewis asked if we should reduce the request by the \$350,000 we will be receiving in revenues in the 10-week period. Mr. Easley stated that it appears that we have a \$400,000 shortfall. As a practical matter, a good part of that will be expended while the Wickersham is sitting at the dock.

Senator Ray remarked that this all goes to point up that the Wickersham is not the kind of boat we need. Senator Butrovich replied that he cannot believe that is the reason for the cost, as any vessel of that size would be costing us pretty close to that amount.

Answering Senator Sackett's question, Mr. Easley said it is

costing us about \$2,000 a day to keep the Wickersham in dry dock.

Senator Ray remarked that if we are going to keep the honesty and integrity of the Marine Highway System, we must provide the service. Senator Sackett pointed out that it is a question of whether or not we want to maintain it year-round or close it during the winter. Highways in some areas of the State are closed during the winter.

Commissioner Easley stated that we have gone to a great deal of effort to develop the system; we have advertised widely and we finally have our winter travel built up. It is 10% over last winter. It is awkward for them to encourage travel on the system and then not have the ability to handle it.

Senator Lewis asked what he would have done for the winter if he had not had the Wickersham. Mr. Easley said it was their intent to replace it with the Columbia.

Senator Groh pointed out that we spend about \$24 million a year on marine transportation. This is about 31% of our total transportation budget. He asked if it was valid to say there is a point where we should not continue to spend money for marine transportation, especially if revenue does not increase substantially? Senator Groh wondered whether we should encourage private enterprise to get into the marine transportation business.

Senator Ray remarked that he is up to the limit of what he is willing to pay the operating personnel on the vessels. He felt we are paying far more than what we are getting out of it. Mr. Easley commented that the whole maritime industry is suffering from that same problem. He said the labor contract put together for the North Slope pipeline makes these look mild by comparison. Senator Ray said it's not the salaries so much as the fringe benefits that are eating us up--they're almost as much as the base salaries.

Referring to page 6 of the Marine Transportation budget request, Senator Groh questioned the \$302,402 for wages and benefits for the period December 16-June 30. Isn't this somewhat duplicated in the \$761,800 for operation of the Wickersham for that period? Mr. Mathisen replied that in that budget he budgeted for 10 men, and he has 32 men down there (in Seattle) now. They had to keep 20 men starting on December 16 because the auxiliary generator went out on the vessel, so they will actually come out a little behind with that figure. He stated that if they could have cut down to 10 men, then there would have been duplication, but because of the generator going out, they had to employ 32 men and that difference has more than eaten up that amount.

Referring to the House Finance Committee Report, page 2, Commodities, Senator Groh questioned the difference in cost of fuel oil. Cost at Skagway is \$5.23 per barrel. and the cost in Seattle is \$12.57 per barrel.

Mr. Mathisen explained that they have a contract for Skagway oil. As soon as the contract expires on June 30, the price will be higher.

Senator Lewis stated that he had calls last year from union men who expressed the opinion that the marine transportation labor contract Mr. Easley negotiated was exorbitant. He questioned why it had to be so high--was it to the point of a walkout? Mr. Easley replied that it was the toughest contract he ever negotiated. The cost of living index had changed 11-1/2% and we were asking them to settle for 5-6%. Also, in the marine transportation industry the contribution to the retirement fund is going out of sight. He noted that last year was the first year they laid off a substantial number of men. As a result, they asked for vacation benefits that are equal to classified employees. The fact that ferries carry the mail and groceries makes it doubly important to not have a walkout.

Jay Hogan remarked that Alaska is now the only state in the United States transporting passengers on a marine highway system (passenger ships as opposed to ferry boats).

Senator Ray asked if anything was being done toward setting up a marine academy to train Alaskans to work in the system. Mr. Easley said he has met with the University of Alaska several times, and the University has done nothing about it.

Senator Sackett asked what repairs needed to be done to the Skagway terminal (\$207,300 request in supplemental appropriation bill). Mr. Easley replied that it is aging and getting to the point where it is hazardous. He said they had some money budgeted in waters and harbors, but it was not enough. Mr. Mathisen said they started out with \$100,000.

Senator Ray moved that the bill (HB 490 am) be reported out with individual recommendations.
Senator Sackett objected.

Senator Poland asked if Mr. Easley had any idea how much impact the pipeline has had on their operating costs. Mr. Easley said he did not really know; however, it is probably a combination of the fuel shortage, their advertising program, and the pipeline.

Senator Ray noted that for all intensive purposes, the Wickersham has been sold. Senator Groh stated that we have received information from the Governor's Office that the Wickersham is being sold for \$10 million, with \$2 million down and the balance paid over a 5-year period.

In answer to Senator Lewis' question, Mr. Easley said the Wickersham will make 10 trips, and we can figure on 1500 to 2000 passengers.

A vote was taken on the question: "Shall HB 490 am be reported out with individual recommendations?" Voting yes were Senators Poland, Butrovich, Lewis, Groh, and Ray. Voting no was Senator Sackett. Members signed the committee report as follows:

"Do Pass"

Senator Ray
Senator Groh

"No Recommendation"

Senator Poland
Senator Butrovich
Senator Sackett
Senator Lewis

Adjournment: There being no further business, the meeting adjourned at 11:35 a.m.

SENATE FINANCE COMMITTEE

February 13, 1974

11:00 a.m.

Present: Senators Groh, Ray, Poland and Butrovich. Senator Kerttula was also present.

Andy Williams, news reporter; Mrs. Joyce Munson, Executive Director of the Mental Health Association; and Buddy Eckles, Mental Health Planner in Anchorage; and Dr. Jerry Schraeder, Director of the Division of Mental Health, were also present.

HB 549 Senator Groh called the meeting to order and said the hearing would pertain to HOUSE BILL NO. 549 (An Act relating to community mental health services; and providing for an effective date). HB 549 has not yet passed the House. Senator Groh stated that Mr. Eckles and Mrs. Munson had asked that the Senate Finance Committee hear testimony on this legislation.

Mrs. Munson explained that the bill is enabling legislation so community mental health services can be funded. She said at the present time the State does not have a funding mechanism for obtaining matching federal funds for local communities. Mrs. Munson said that Anchorage would like to ask for an appropriation of \$500.0 to implement the plans for mental health services in Anchorage.

Mrs. Munson said that the pipeline will bring many more people. She felt they were going to have to develop mental health service for the prevention of such things as suicide and crime.

Mr. Eckles spoke on the need for this legislation. The community mental health services will provide for a development of alternate means of care in order to keep people out of institutions. Mr. Eckles said they want to treat these problems early before they get so serious the individual would have to go to A.P.I. He stated that recent statistics from A.P.I. show 80% of the patients come from the Anchorage area and that 80% of the patients return. The cost per day is \$65 with an average stay of 10 weeks. Mr. Eckles said that there is nothing to give these patients follow-up and support care to keep them out of A.P.I. Mr. Eckles felt the community mental health services would be better from an economic standpoint and a humanistic standpoint.

Senator Groh asked if the \$500.0 request would be matched by federal money. Mr. Eckles answered yes, if there are

community mental health services funds available. He explained that this would be a "sliding grant." It would start with 75% (federal) participation for staff and the grant would decline over a period of eight years.

Senator Groh asked if the administration supports the passage of this legislation. Mr. Eckles answered yes.

Senator Ray asked if at the end of the eight years the state would be fully supporting the program. Mr. Eckles answered yes.

Representative Specking entered the meeting.

Senator Groh asked if they planned to build facilities. Mr. Eckles said no, this is totally for hiring people to deliver these services. They want to hire and train people who can do the counseling and therapy. This would also extend into Corrections, he added. He stated the Court sometimes requires evaluations on the criminal. A community services program could see that these people get treatment before they become "actively psychotic," Mr. Eckles said.

Senator Groh stated that one of the problems with this type of approach is that the legislature has not determined the benefits of past expenditures in the alcoholism and drug programs. Mr. Eckles stated that he has worked with the drug and alcoholism programs. He said until they start getting some mental health services back-up they are never going to see a success. He felt these are all closely interrelated. Mr. Eckles noted that other states have developed cost effectiveness types of systems.

Senator Ray stated he thought the State had community mental health centers now. Mr. Eckles said there are two (Kodiak and Ketchikan) community mental health centers and three state regional centers but looking at the total population these services are very restrictive. Mrs. Munson added that in Anchorage they have two psychologists and two secretaries to serve the entire South Central area. This includes everything from follow-up to court referral.

In answer to Senator Ray, Mr. Eckles said this legislation would allow any borough or community to get together and define their needs.

Senator Poland spoke on the mental health center in Kodiak saying that it has been a very successful program. She said their Chief of Police had indicated it has saved the community thousands of dollars.

Dr. Schraeder related the history of how the military has treated the mentally ill. He said in the military mental illness is quite clearly related to stress. He said this is true in the civilized world. Dr. Schraeder said some people can take the stress and some cannot. He said they need to develop services at the point of these breakdowns. Dr. Schraeder said when you don't have an effective community treatment available you see an over-utilization of institutional resources.

Senator Groh pointed out that there is \$3.9 million for A.P.I. this year and a proposed \$8 million for Mental Health.

A brief discussion followed on how Kodiak and Ketchikan had been selected for mental health centers. Dr. Schraeder said it was his understanding that the reason Fairbanks and Anchorage had not received centers is because they had not reached the point of producing a grant application.

Mr. Eckles stated that this bill is the product of five years of work in the Anchorage area.

Dr. Schraeder said that the federal Community Mental Health Centers Act is a potential funding source. Senator Ray asked how much federal money is available. Dr. Schraeder said he did not know how much was available in Region X but did not think it would be more than \$2 or \$3 million. Dr. Schraeder said what they had been told was that "if we can gin up a grant application they would look with favor towards Alaska." Dr. Schraeder added that this was not a firm promise.

Senator Ray said if psychiatric evaluations are necessary for court cases it would seem possible to receive a grant from L.E.A.A. or from the Court System. Mr. Eckles said the L.E.A.A. funds are locked in and the Court System has told them the care of mental health is a mental health function.

Dr. Schraeder said with a community mental health program you have a shared local administration. This creates a situation where people take pride in the center and one of the things they do is raise money. He said in a typical

community mental health center the state general fund would end up funding 50-75% of the cost. Local communities would fund anywhere from 30-50% of the program. Dr. Schraeder said in the long run this would be a much more efficient way to spend money (general fund dollars).

Dr. Schraeder said another potential is the possibility of reimbursement through Medicaid (Title XIX). They are already through the general fund spending money in the institutions to purchase service care. He said if they make certain changes they may be able to be reimbursed by Medicaid. He said they would have to expand their concept but he felt this was in the realm of possibility. This might "free up somewhere between \$1.5 to \$2.5 million," Dr. Schraeder stated.

Senator Groh asked if Dr. Schraeder had any proposals for changes at A.P.I. or Harborview. Dr. Schraeder said he is planning a psychiatric security unit. He stated that last year there were 5 positions for nurses that the Governor's Budget Review Committee had deleted (from A.P.I.). The legislature had restored these positions. He said these positions had not been filled for a long time. Senator Groh stated that if Dr. Schraeder wished to reallocate to this program he did not feel there would be any opposition from the Senate Finance Committee.

A discussion then followed on some of the problems at A.P.I. Senator Groh suggested that if legislative adjustments are required to solve some of these problems this should be presented to the legislature.

Mr. Eckles thanked the committee for making time available
Adjourn: and the meeting adjourned at 12:01 p.m.

SENATE FINANCE COMMITTEE

February 14, 1974

10:45 a.m.

Present: Senators Groh, Butrovich, Poland, Lewis, Palmer, Sackett

Senator Groh called the meeting to order.

SB 244 First on the agenda was consideration of SB 244 (An Act relating to the Legislative Audit Division) which would delete the provision that the Legislative Audit Division must perform its audits at least once every three years.

Budget Analyst Rich Guthrie explained that the Division has never been on a three-year budget cycle. If they wanted to follow the three-year cycle, they would have to increase their staff. SB 244 would allow the Division to focus on the agencies it needs to. Senator Groh stated that apparently the Division is unable, because of its limited staff, to conduct audits once every three years. They would like to remove that provision so they will not be violating the law.

Senator Sackett moved and asked unanimous consent that SENATE BILL 244 be reported from committee with a "do pass" recommendation. There being no objection, it was so ordered.

HB 486

HB 486 provides a supplemental appropriation of \$31,500 to the Department of Administration for operation of the Fairbanks Pioneers Home for fiscal year ending June 30, 1974.

Senator Butrovich explained that this is for operation of the new addition to the end of the biennial. We had not previously budgeted for it.

Senator Palmer moved and asked unanimous consent that HOUSE BILL 486 be reported from committee with a "do pass" recommendation. There being no objection, it was so ordered.

HB 488

HB 488 provides a \$12,300 supplemental appropriation from the general fund to the Department of Commerce to finance the operation of the Guide Licensing Control Board for the fiscal year ending June 30, 1974.

Senator Palmer moved and asked unanimous consent that HOUSE BILL 488 be reported from committee with a "do pass" recommendation. There being no objection, it was so ordered.

HB 510

HB 510 amends the FY 74 General Appropriations Act. Rich Guthrie explained that there was an error in last year's Appropriations Act in that there was a mixup between inter-agency receipts, teacher retirement and PERS funds. This merely corrects the bill. No additional money is involved.

Senator Palmer moved and asked unanimous consent that HOUSE BILL 510 be reported from committee with a "do pass" recommendation. There being no objection, it was so ordered.

Senate Bill 266 provides that "between regularly scheduled meetings of the budget and audit committee, the chairman may call a special meeting of the committee, one requiring only the attendance of a quorum, to resolve emergency items. Special meetings of the committee are subject to the same force and effect as those of regularly scheduled meetings." Section (b) of the bill provides that the agenda of a special meeting be limited to those items described during a poll of committee members. It states that the poll shall be taken to determine the number of members to be recorded for or against the items on the proposed agenda. A tally of the votes of the entire committee together with a listing of those members designated to attend the special meeting shall be delivered to each member of the committee not less than 24 hours before such special meeting.

Senator Ray stated that one provision of this bill would preclude items not listed on the agenda of a special meeting from being discussed or dealt with. Senator Lewis did not think this bill was necessary. He referred to an occasion where he, as Chairman of the Budget and Audit Committee, had allowed a man to make a presentation to the committee when it was not listed on the agenda. However, Oral Freeman had complained to him about it, and no formal action was taken on that subject. Senator Ray stated that he is not singling out that occurrence. This bill will just eliminate any chance in the future that something like that would happen.

Senator Groh asked if our existing rules prohibited consideration of matters not specified on the agenda at special meetings. Senator Groh stated that he thought the general law on this subject is that items on the agendas of special meetings of boards of directors, etc. are the only ones that can be considered. However, he believed that the body, by a majority vote, can expand the items to be considered.

Senator Lewis reiterated his opinion that the bill is not necessary--it's confusing. He pointed out that the bill would not prevent a chairman from allowing an informal discussion. Senator Ray replied that he felt subsection (b) is of considerable interest. This relates to allowing for a poll to be taken of members--it is a method of proxy vote or telephone voting.

Jay Hogan said his understanding of the bill is that the people polled would be bound to vote the way they had agreed to vote when polled. If, at the meeting, they changed their minds, then the item would be held over.

Senator Butrovich remarked that this telephone polling technique was used concerning a special meeting on the Henri House. He said he was called in Fairbanks and he voted on the subject by telephone, since the Henri House meeting was being held in Juneau.

Senator Ray said he saw no reason not to use this technique on "cut and dried" matters. Why should a person have to fly to a meeting in Anchorage, for instance, if it was just a matter of taking formal action on something. If there is a controversy, naturally everybody would want to go.

Senator Lewis said he felt the matters covered in SB 266 should be properly considered in the rules of the Budget and Audit Committee. Senator Palmer commented that one of the most important actions that committee took was providing that it takes a majority of the full committee to take a positive action. He said this was not done by statute--it was done under the working rules of the Budget and Audit Committee. He felt this could be handled in the same way.

Senator Lewis moved and asked unanimous consent that we hold SB 266 for consideration at the next session. Senator Groh interpreted the motion as "temporarily tabling consideration of the bill."

Senator Ray objected. Voting in favor of the motion were Senators Lewis and Palmer.

Senator Ray moved that SB 266 be reported out of committee with individual recommendations. Senator Lewis objected.

Senator Ray pointed out that you cannot bind one committee to the rules of a future committee. But, if we put it into law, then everybody understands what the rules are. We would not be faced with the problem from year-to-year. Senator Palmer replied that Senator Ray has failed to mention that while one committee cannot bind another, they still must operate under the rules established by the previous committee until they elect to change them. Senator Groh said he did not think the Budget and Audit Committee should consider the establishment of permanent rules for its own operation. We are now talking about amendment to those permanent rules.

Jay Hogan said that he does not believe the committee has written rules. The only rules they have exist in the minutes. It has been functioning under the normal ground rules of the other committees.

Senator Groh said, as a member of the committee, he would be happy to draft some rules for the committee and incorporate these matters.

Voting in favor of Senator Ray's motion were Senators Ray and Poland. The motion failed by a 5 to 2 vote, and so the bill was returned to the file.

Adjourn

The meeting was adjourned at 11:20 a.m.

JOINT SENATE/HOUSE FINANCE COMMITTEE
1:30 p.m.

Present: Senators Groh, Poland, Butrovich, Palmer (Senate Finance Committee); Representatives Freeman, Specking, Barber, Ose, Meekins, Saylor (House Finance Committee)

Mary Pat Murphy, Associated Press, Joe LaRocca, news reporter

Education

Superintendent's
Assoc.

Deputy Commissioner of Education Robert Thomas; Sue Greene, President of Alaska Association of School Boards; Herm Hutchins, President of Alaska School Superintendent's Association; William Overstreet, Executive Secretary, Association of Alaska School Boards; John Coffee, Superintendent of Schools, Juneau; Presidents of various School Boards: Dolly Farnsworth, Kenai; Evelyn Munsen, Bristol Bay; Marvin Davis, Kluock; Dave Wood, Fairbanks; Marilyn Freymueller, Juneau; Joe Montgomery, Anchorage.

Senator Groh called the meeting to order and introduced members of the finance committees.

Sue Greene, President of Alaska Association of School Boards, listed the following as being critical concerns of the Association:

1. The Association urged support for the bill which would form a central bonding bank. They felt it would benefit the State as well as the school districts. It would save some money for the State in this manner: When the school districts cannot sell bonds, they typically come to the Legislature, who then appropriates the money and builds a school. At that point, the interest is a high rate, based on the money market at that time. If there was a central bonding bank, the State could get a better interest rate.

2. The Association considers the Foundation Act itself to be top priority. They are requesting a \$2,000 per instructional unit increase in foundation funds. The total increase for the program would be \$7-1/2 million. She noted that all school districts are being hit with increased costs for fuel, supplies, equipment, etc. Also, they expect the APEA negotiations to have an effect on local school districts in terms of negotiations. She said they have focused on the Foundation Program because of the fact that it benefits all districts.

3. Pipeline Impact. The Association is very concerned about what is going to happen to school districts that are going to be hit hard during the pipeline construction period. The cities they see as facing the most critical problems are Fairbanks, Glenallen, and Valdez.

Dave Wood, President of the Fairbanks School Board, stated that Fairbanks is already experiencing some problems because of the pipeline. He said last week the Fairbanks school district enrolled 44 students that are directly pipeline-related from the oil companies. Mr. Wood stated that at this point, the school district is impacted with just their normal growth, particularly at the secondary level. He said they will be faced with double-shifting at the secondary level even if they had no pipeline impact.

Mr. Wood told the legislators that Fairbanks has a junior high school that has been condemned twice, and they will be forced to ask for another extension to use it again next fall. He said Fairbanks has passed a bond issue for a new school; however, the earliest possible completion date will be the Fall of 1975. He said their school business office has projected 3500 new students in Fairbanks this Fall--half again what they already have. He stated that ALEYESKA officials have told them they think those figures are conservative. He said they simply do not have room for students without double-shifting. He believed they will have to ask for 100% support for any "impact" students in the area. Mr. Wood testified that Fairbanks has prepared the school budget based on their normal growth rate (not pipeline impact), so if they get 3500 new students they will not have money to put them in the system. He said they would need about \$1600 per student if they had a double-shift. To acquire mobile units, they would need \$1800 per student. He said they have asked for these mobile units in outlying areas to make a modular elementary school in two areas. They expect the first increase this spring to be at the secondary level, based on the theory that the foremen and supervisors who will be coming up to work on the pipeline will be older people with older children. Mr. Wood pointed out, in connection with the mobile units, that the State could retain title to the units, and when Fairbanks initiates a building program for the permanent population, the State could use these units elsewhere. He said they are reluctant to initiate a permanent building program at this point, as they do not know what the permanent population will be.

Herm Hutchins, Superintendent of Schools, Valdez, said they are looking at planning for what is going to happen after one pipeline is built. He said they expect around 1000 students in Valdez. Presently they have 28 teachers on their staff and are expecting 32 new staff members in addition to that. He stated that the biggest problem is that Valdez has a limited tax base at this time; thus, they have a bonding problem.

Sue Greene remarked that Glennallen has an interesting problem which relates to transportation. They have so many students who must travel such far distances that some of them are on the road 4 hours a day. This makes double-shifting out of the question.

Mrs. Greene pointed out that there is an inter-relationship between what they are saying about SB 324, raising the instructional units, and pipeline impact. She said last year, it was calculated that \$20,250 would bring the Foundation Act support up to the level of support intended when the Act was initiated. They are asking the legislature to bring it up to last year's level; but in addition, are saying that it still will not be enough because of inflation, etc.

Mrs. Green said the Association had some questions about the Governor's budget. How was the \$7 million arrived at--through estimates from the districts or from other sources?

How many students are implied overall? Is it adequate? She said they have already heard from the school boards and are concerned whether or not the budget will be adequate to meet the forthcoming crises.

4. Another critical area is the Community Schools incentive bill (CSHB 48). The Association feels strongly that this has benefits for many areas of the State. They are convinced that it is a benefit that passage of this bill could address.

Mrs. Greene listed the following bills as being those the Association felt deserved support:

SB 48 - Computation of instructional units as basis for state aid for elementary school education under public school foundation program.

SCR 5 - changing reimbursement of transportation to cover reimbursement for transporting kindergarten children.

HB 292 - supports concept of foundation act to include pre-school education.

HB 592 - relates to allowing exceptional children to be included in education programs from the age of three.

SB 306 - supports increase in instructional units for those districts with over 3,000 elementary school students.

Senator Groh pointed out that the Governor's \$50 million budget has a built-in deficit of \$200 million. At the rate we are going, the North Slope oil money will be gone in two years. He said we are going to have a "lag" when we are going to be out of money unless we get some additional sources of revenue. He stated that the Legislature has consistently supported education. This year, the operating budget for education is proposed at \$220 million, of which \$105 million is for the Foundation program. The Governor is proposing a budget of approximately \$450 million for the whole State.

Representative Specking said he believed that probably Valdez faces the biggest problem of any city in Alaska. It is unable to absorb the problems because of its size and location. He asked Mr. Hutchins to comment on whether or not he feels that the Valdez school district could get by in the "interim" period before the impact provisions are passed. Mr. Hutchins replied that he felt they could handle it.

Representative Meekins asked Mr. Wood if Fairbanks has considered double-shifting and/or a year-round school program. Mr. Wood replied that they have studied the year-round school concept a great deal. They feel it will take 18 months to 2 years before they can educate the community and get the concept across. He felt it would be impossible to start it this Fall. They will

probably initiate it on a voluntary basis at first--possibly in the Fall of 1976. He said this could absorb about 30% of the load, but it would not completely provide all the help they need.

Representative Ose asked if Fairbanks was bonded to capacity. Mr. Wood said he did not think they were "bonded to capacity yet." In answer to Representative Ose, Mr. Wood said they are at a critical point with their junior highs and high schools. Even without the impact (and until their new high school is built) the administration was going to recommend double-shifting next year.

Mrs. Greene stated that there were two things that should be considered regarding year-round schools as a means of meeting the potential impact. One approach is a mandated attendance plan. This means that a district would dictate who would attend school on what dates. Mrs. Greene continued that in Anchorage the School Board has come to the point of considering a mandated attendance plan as opposed to double-shifting. The Anchorage School Board has indicated they would like to take this to the public by means of a vote. Mrs. Greene said that what is being discussed in some areas is a voluntary attendance plan; and while this is more palatable to the public, it would not meet most needs for year-round schools.

Mrs. Greene then referred to Senate Bill 69 (an act relating to year-round school programs within local school districts). She said they were concerned about the amendment (average daily membership being determined by 180 days). This would mean that foundation support would be available for a given student up to 180 days. After the 180 days, local districts would have to supplement or charge tuition. This would go against the educational purposes of providing time for a student with problems. They could not encourage him to attend an extra session for the purposes of keeping him caught up. It would also preclude any efforts toward accelerating any of the advanced students.

Senator Groh spoke briefly on central bonding banks. He asked how they contemplated this would function. Senator Groh asked if the State would have to approve the projects. Mrs. Green said the Association's interest in this is directed primarily toward the smaller districts that have difficulty in bonding.

Mr. Overstreet stated that if the State is going to do the bonding then the State would have to evaluate the projects. He said it seemed to him that this would be a double savings--Currently, if a small district cannot sell bonds, it comes to the Legislature and asks for a direct appropriation. The central bonding bank would provide a means for smaller districts to bond their projects.

Representative Freeman said he is having a problem with the word "impact." He said he thought there is a tendency for everyone "to get into the act." Representative Freeman said he hoped people with problems caused by "impact" would present

statistics and evidence to the Finance Committees to assure that these cases would not be "rip-offs." Mr. Freeman said he felt they had to fair with everybody involved. He referred to the central bonding bank, saying he would be a lot more inclined to make loans to communities in need if he had some assurance that the communities would pay the money back.

Mrs. Greene said that most of the school districts are budgeting for the next year on the basis of their normal rate of growth, with the hope that what can be identified as "impact" can be pinpointed. She said it is "an unbelievably painful experience" to be faced with the legal obligations to educate students. She said they do not want to under-estimate the potential crises during this pipeline period. She pointed out that some students will be getting the bulk of their education during the pipeline construction period.

Representative Specking said, with the passage of the ad valorem tax, the Legislature "stripped the communities of solving their own problems." A discussion on this followed.

Representative Barber asked if any thought had been given to a procedure or formula for evaluating impact. Mrs. Greene said she did not think they had addressed this specifically. Mr. Wood said, in Fairbanks, they have established, as closely as possible, what their normal growth rate would be. Their business office is doing a study on what the cost would be for any additional students.

Representative Freeman spoke on the pulp mill in Ketchikan, saying that at the time it was built, it had a large impact on their community, but it eventually had a very good economical impact.

Senator Butrovich pointed out that Aleyeska is the largest private enterprise in the country, and he did not think a comparison could be drawn with the pulp mill in Ketchikan.

Mrs. Greene said that the districts are not planning to construct for the impact. She said to do this would be a big gamble, and they are looking at alternatives.

Senator Groh ~~thanked~~ thanked the associations for their appearance, and the meeting adjourned at 2:50 p.m.

SENATE FINANCE COMMITTEE

February 15, 1974

10:45 a. m.

Present: All members present. News reporters Joe LaRocca, Mary Pat Murphy and Elaine Mitchell were also present. Senate President T. Miller was also present.

SB 205 Senator Groh called the meeting to order and said the committee would consider Senate Bill 205 (an Act relating to the authorization of funds for trails and footpaths).

Senator T. Miller stated that there has been quite a bit of interest in his area regarding trails and footpaths. Senator T. Miller said that legislation had been passed which would permit the Commissioner of Highways to appropriate funds for this purpose; however, the Commissioner has not done so. The legislation now being considered (SB 205) would require the Commissioner to appropriate the funds.

Senator Lewis asked if the Commissioner was opposed to this. Senator Groh said he has not appropriated any money for this purpose.

A brief discussion followed on how much funding they were talking about. It was determined the amount was about \$350,000 (not less than one-quarter of one per cent of the total yearly state and federal matching sum combined under the federal-aid highways program).

Senator Palmer noted that he was a sponsor of this legislation. He stated that one of his concerns was the lack of cooperation between the Commissioner (of Highways) and some of the legislative mandated program. He added that he is in favor of this bill.

Senator Sackett asked if these trails would be built along highways. Senator Groh referred to the statutes noted in the bill. He said sec. 370 states the trails could go through parks.

Senator Palmer moved to pass the bill from committee with a "do pass" recommendation.

Senator Butrovich said he thought the bill should be held until the Committee could meet with the Commissioner to discuss what would be done and where the funds would come from.

Senator Palmer withdrew his motion. Senator Palmer moved to hold the bill until Monday, February 18, 3:00 p.m.

At that time the Commissioner of Highways would be asked to testify on SB 205. No objection.

Longevity Senator Groh said there is a supplemental appropriation
Bonus on the longevity bonus program. He said the legislation is
not before the Committee at this time but would be considered
early next week.

Senator Ray said he could not help but feel there is something wrong with this program. He said all records indicate there could not possible be such a larger number of persons legally participating in the program. He felt there was some kind of laxity in the program -- the check point validation should be more stringent.

Senator Palmer pointed out the finance committee has a mechanism to investigate this. He suggested requesting the Budget and Audit Committee to form a hot line check and random sampling on those persons that have been receiving funds under this program. The report could be brought back to the finance committee.

Senator Ray said he felt very strong about this legislation and added he would hate to see it jeopardized.

Senator Groh requested that Senator Lewis (Chairman of the Budget and Audit Committee) take the necessary steps to follow up on this.

Adjourn: The meeting adjourned at 11:00 a.m.

SENATE FINANCE COMMITTEE

February 18, 1974

3:00 p.m.

Present:

All members

Senate President Terry Miller

Commissioner of Highways Bruce Campbell

Joe LaRocca, news reporter

SB 205

Senator Groh called the meeting to order and stated the purpose of the meeting is to consider SB 205 (relating to authorization of funds for trails and footpaths). The committee had discussed this at a meeting held last Friday. Action was not taken then, as some committee members wanted to hear from Commissioner Campbell.

SB 205 provides that "an amount of not less than one-quarter of one per cent nor more than one per cent of the total yearly state and federal matching sum combined, under the federal-aid highways program. . . shall be appropriated annually from the general fund to the Department of Natural Resources for the purposes of providing grants to eligible cities and boroughs for trails and footpaths in appropriate areas, including but not limited to existing park and recreation areas and for the purpose of providing grants to the Department of Highways for developing the program specified in sec. 355(b) and sec. 360 of this chapter."

Commissioner Campbell testified that this money for trails and footpaths must be used in conjunction with a new highway project. They cannot use these funds to build paths along existing highways--it must be tied in with new construction.

Mr. Campbell said he has no strong feelings on paths and trails one way or the other. If the Legislature appropriates the money for them, the Highway Department will do its best to come up with a good program.

It was determined that the Department of Highways has about \$200,000 which would be available for trails and footpaths. This represents 1/4 of 1% of an \$80 million budget.

Mr. Campbell stated that the bike paths they have built so far have been very expensive. He said the cost per mile is fantastic. The reason for this is that the areas are generally too small for the equipment and a lot of the work has to be done by hand. He mentioned that the most successful project was in Soldotna where the kids helped to build the trail.

Senator Lewis wanted to know what could be done for \$200,000. Are we going to build paths along the highway or across a park? Mr. Campbell replied that the Highway Department would be involved in only those paths constructed along a highway. Senator Groh pointed out that the bill provides for a split:

The Department of Highways would construct paths along a highway, whereas the Department of Natural Resources would be in charge of those projects that were not along highways.

Senator Ray said, as he understands it, if we construct a trail along side of old construction, we must use general fund money. The funds cannot come from federal highway funds except in conjunction with new construction. Commissioner Campbell said "that is correct."

Senator Butrovich said he did not think the bill intends that bike trails be built only along side the highways. It states "for trails and footpaths in appropriate areas". Mr. Campbell replied that Sections 355 and 360 referred to in the bill specify where trails will be built--it sets up the bike trail system.

Senator Groh remarked that all this bill does is to say "if you have \$80 million in the combined pot, 1/4 of 1% of that shall be used annually for trails and footpaths." Mr. Campbell explained that he understands that the bill appropriates some General Fund money--not federal highway funds. Senator Groh cited the following example: Assuming there was \$80 million in the pot and the bill requires that we spend \$200,000 for trails and footpaths, then the truth of the matter is that \$79.8 million goes for highway construction purposes and \$200,000 is for trails and footpaths.

Commissioner Campbell replied that the Federal Government reviews every expenditure and if it is illegal, we do not get our 95% federal match. His example was: If there was \$80 million in the pot and he took \$200,000 of that, then he would be short in his match of State funds, i.e., the State match would have to be \$4.2 million to make the match come out.

Senator Groh said it does not appear that Commissioner Campbell is very excited about building paths and trails, to which Mr. Campbell replied that he had no strong feelings about it one way or the other.

Responding to Senator Ray's question, Mr. Campbell estimated that a paved trail would cost from \$75 - \$100,000 a mile to construct. He pointed out that culverts must be put in and the same improvements made that are made to regular highways.

Senator Lewis remarked that it was commented to him by one group of families who have gathered together for the purpose of protecting their children that kids should stay away from trails that are secluded.

Senator Miller remarked that in some areas where there is lots of traffic, bikes have no place on the roads--it is dangerous. He felt that if the Department of Highways felt a little closer to the program, they would not have so many problems with it.

Senator Palmer stated that the people he has talked with are concerned about getting away from the traffic so they have some degree of safety. They do not necessarily want to be off in the trees someplace.

Senator Ray said he thought trails and footpaths were desirable; however, he believed we are approaching this in the wrong way by trying to tie it in with the Highway program. He suggested appropriating the money and getting ahold of Natural Resources.

Senator Palmer stated that by passing this bill we are merely saying that the money should be used for the purpose of constructing trails and footpaths. Otherwise, if the Commissioner of Highways decided not to put in trails and footpaths, he would not have to do it.

Senator Palmer moved that SB 205 pass from Committee with a "do pass" recommendation. Voting in favor of the motion were Senators Palmer, Butrovich, Sackett and Groh.

Members signed the committee report as follows:

"Do Pass"

Senator Groh
Senator Butrovich
Senator Sackett
Senator Palmer

"Do not pass as written"

Senator Ray
Senator Poland
Senator Lewis

Senator Groh announced that the committee will review the Administration of Justice budget on Thursday, February 21.

Adjourn

There being no further business, the meeting adjourned at 3:30 p.m.

SENATE FINANCE COMMITTEE

February 21, 1974

9:05 a. m.

Present: All members except Senator Sackett. Mr. Herb Soll, Public Defender, was also present.

ADMINISTRATION
OF JUSTICE

Office of the Governor Senator Groh called the meeting to order and said the committee would consider the Administration of Justice budget and would listen to testimony regarding the Public Defender. Senator Groh turned the meeting over to Senator Ray, sub-committee chairman of the Administration of Justice budget.

1st Jud. District Senator Ray suggested that future budgets should be broken down into individual districts. They should also be broken down into individual cost items.

Senator Palmer noted the large increase in contractual services. Senator Groh stated the increase is 23.1 and the bulk of this amount is for representation in conflicts cases. Senator Groh asked if there was any way to avoid this. Mr. Soll said the only way to avoid this is to move this over to the Courts where it properly belongs. Mr. Soll said he has maintained the nature of a conflict is not completely erased when they have control over the attorney (the attorney is paid by the Public Defender). Mr. Soll felt this should be under the control of an impartial third party "which should be the Courts." He added as the system now operates when there is a conflict private lawyers are appointed and paid for out of the agency's budget. They are paid the prevailing legal services charged in the community. Mr. Soll stated that every year the appropriation for this has fallen short of what is needed to pay these bills.

Mr. Myrt Charney and Mr. Mike Clements, Division of Budget and Management, entered the meeting.

Senator Ray said there are people in the Senate who are not too satisfied with the operation of the agency. Senator Lewis said that it was his understanding in some cases the agency is representing persons before they have been arrested. Senator Lewis continued that throughout the State the reputation of the Public Defender is very low. Mr. Soll said he did not feel this was true. He said the committee should talk to the police departments if they did not think the agency was well respected.

Elaine Mitchell, news reporter, entered the meeting.

Senator Groh requested that Mr. Soll prepare for the legislature amendments to the Public Defender Act so conflict of interest cases and assignment of these cases would be the responsibility of the Courts. Payments of the fees would also be the responsibility of the Courts. Senator Groh felt this would relieve the Public Defender of some of the criticism.

Representative Ose entered the meeting.

Senator Lewis said that in going through the budget there were funds for rehabilitation. He asked if this was a function of the Public Defender. Senator Lewis suggested this might be why the agency's expenses are so high. Mr. Soll pointed out that they have not spent state funds on this -- it is an L.E.A.A. grant. Mr. Soll said they did not feel that rehabilitation was a permanent part of the Public Defender services but because the Corrections system was "50 years behind" they felt it was necessary to enter into this area. Senator Groh said the question is should the agency be in this area. Senator Groh said the State is spending \$12 million on the Corrections system and this is where rehabilitation should go. He said if Mr. Soll had any suggestions where areas of the Corrections system could be improved they would be happy to hear them.

Second
Judicial
District

Senator Ray pointed out the Governor's request is 80.1 for the Second Judicial District. There were no questions on this.

3rd
Judicial
District

The Governor's request is 719.2 for the Third Judicial District. Senator Groh pointed out they had requested 25 positions and the Governor allowed 23.

Senator Palmer stated that it was his understanding the secretarial position in Kenai had been authorized but has not been filled. He asked if funds were allocated somewhere else. Mr. Soll said the office was authorized but the secretary position was inadvertently left out. Senator Ray said according to the computer run the position was authorized but the funds were used elsewhere. This was briefly discussed. Senator Palmer suggested this could be resolved later.

Senator Groh questioned the need for the positions in Bethel. Mr. Soll said there are a large number of criminal cases in this area.

4th
Judicial
District

The Governor's request is 211.5 for the Fourth Judicial District. There were no questions.

Administration
& Support

Senator Ray noted that the Governor's request is 102.7 which is above the agency's request. There was a brief discussion on what had been added. (Later in the meeting Mr. Charney stated that the agency had requested an accounting clerk. The Budget Review Committee felt they needed a fiscal officer and the fiscal officer position was substituted for the accounting clerk.)

Senator Groh spoke on the over-all budget for the agency. He said this year their budget is 849.7. The Governor's request is 1,252.7 which is roughly a 48% increase. He asked if Mr. Soll maintained additional positions and funds were needed for conflict cases. Mr. Soll answered yes. He said the alternative would be the elimination of that responsibility.

Senator Lewis said there have been comments that the agency is defending people who are not indigent. Mr. Soll said he is "maintaining we are not representing people who do have money." He said they do not want to represent people who have money as this takes away from the number of persons they can represent who do not have money. Mr. Soll said he has caused great hardships for families he has forced out. Mr. Soll stated that when he saw any money he urged them to hire their own attorney.

The committee then discussed the case of a massage parlor owner. Mr. Soll said he did not feel they could get the true story from a third party. He said this particular individual qualified before the Court. They had been ordered by the Court to handle this case. Mr. Soll said their examination showed this individual did not have the means to hire an attorney. Senator Ray asked who ordered them to defend this person. Mr. Soll answered Judge Occhipinti.

Senator Groh requested Mr. Soll prepare an amendment to the Public Defender Act which would do substantially what was recommended by the Judicial Council: (1) the determination of indigence would be made by the Court; and (2) that the reimbursement for the payment to substitute attorneys as a result of conflict cases be administered by the Courts under a schedule they prepare.

Senator Palmer referred back to the massage parlor owner. In answer to Senator Palmer, Mr. Soll said the rumors were untrue. He said as far as he knew this person did not have any money. Mr. Soll said they paid a substitute attorney. He said the private attorney that had been appointed was

already representing the individual in some minor case. The Public Defender agency was representing a co-defendant.

Mr. Charney said the Governor's Budget Review Committee felt that the large increase in this agency is necessary to keep a balanced system. They felt the Public Defender agency was lagging and had increased this substantially while only having minor increases in other areas of Administration of Justice.

Senator Ray asked Mr. Charney about substituting state funds for the L.E.A.A. grant in the Third Judicial District. Mr. Charney said they felt this was a good program and recommended the state picking this up when the grant runs out.

Senator Palmer said he felt this agency had taken a lot of criticism on this particular case and it appeared the agency did not have anything to do with the decision.

Mr. Soll said from the standpoint of administration they would be very happy if it could be done with one man in each office picking the cases that most appeal to him. He said they are the only lawyers who can't "pick and choose." Mr. Soll continued that they have not created the social climate or economic climate that gives rise to the number of cases. Mr. Soll said it is very important to have the rehabilitation function and there is no one else carrying out this responsibility. Senator Groh suggested Mr. Soll present his recommendations on what the probation and parole people should be doing.

Senator Groh thanked Mr. Soll for his presentation and Mr. Soll left the meeting.

Dr. Ron Wilson, President of the Alaska State Medical Association, and Dr. Earl Albrecht, President of the Public Health Association, appeared before the committee.

EDUCATION

Dept. of Education

State

Library

Senator Groh introduced the Finance Committee members and said that Dr. Wilson and Dr. Albrecht wished to speak on the Health Sciences Information Library.

Dr. Wilson said there was 30.0 in the proposed budget for the Alaska Health Sciences Information Library. This is located in the Public Health Services Hospital in Anchorage. Dr. Wilson spoke on the merits and value of this library. There is also a request for 17.0 for two positions. Senator Poland noted one of these positions had been a P.E.P. employee. Dr. Wilson stated the other position had been supplied by the University of Washington but the position would be cut in April. This was briefly discussed and the meeting recessed at 10:00 a.m.

Recess:

AFTER RECESS
10:50 a. m.

Present: All members but Senator Sackett. Mr. Charney and Mr. Clements, Division of Budget and Management; Mr. William Vaudrin, Executive Director, Human Rights Commission; and Joe LaRocca, news reporter, were also present.

ADMINISTRATION
OF JUSTICE

Human Rights

Commission Senator Groh called the meeting to order and said the committee would consider the budget for the Human Rights Commission.

Senator Ray questioned the additional sum of 23.0. Mr. Vaudrin stated that this was an on-going contract with E.E.O.C. He said they had to record this 23.0 on this budget even though they knew it was not forthcoming. He said this contract has been re-negotiated and they feel it will be in excess of that amount.

Mr. Vaudrin explained that there had been a misunderstanding in the construction of his budget. He had included the pipeline impact funds in the FY 75 budget. He later learned that two budgets should have been prepared. Mr. Vaudrin said that the House Finance Committee has requested him to submit a pipeline impact budget.

Mr. Vaudrin said they did get E.E.O.C. funding so the request for Legal Counsel could be eliminated.

Mr. Vaudrin said he thought he could write proposals and get funding at the clerical level but he was concerned about administrative help. Mr. Vaudrin said he needed a Deputy Director to relieve him of some of the administrative duties.

Mr. Vaudrin said the agency has in the past never come close to dispersing their responsibilities for the State. He felt there had been a failure on the part of government in responding to these needs.

Mr. Vaudrin said there are several factors which have increased their workload. One is the inclusion of sex discrimination laws. He said their cases have just about doubled.

Elaine Mitchell, news reporter, and Mary Pat Murphy, AP, entered the meeting.

Senator Lewis asked about the range of the operation of the Commission. Mr. Vaudrin said their duty is to see people are not discriminated against (race sex, handicap, etc.). In answer to Senator Lewis, Mr. Vaudrin said that labor relation complaints are not in their jurisdiction.

Senator Ray questioned the 4.0 under contractual services for secretarial work during rush periods. Mr. Vaudrin explained that in a lengthy court hearing a secretary in the Anchorage office could be tied up for a month with the transcript of such a hearing. This would provide for extra secretarial help during these periods.

Senator Groh said that the Finance Committee often sees agencies trying to expand into the work being done by other agencies. He referred to the request to translate the civil rights laws into 100 different dialects. He suggested this might be done by the Bi-Lingual Services at the University of Alaska. Senator Groh pointed out that the request was to translate this into Japanese. He asked if Alaska has a substantial Japanese minority. Mr. Vaudrin said yes, particularly in the Anchorage area. He suggested this minority would be about 2% of the population. Discussion followed. Mr. Vaudrin said in his view the Commission has failed to serve the needs of the population for which it was created because of lack of money and staff.

Senator Groh referred to page 57 of the budget document. He said the Department of Labor has people who are attempting to get rid of discrimination in hiring. He asked if some of the functions the Commission is proposing couldn't be better handled by the Department of Labor. Mr. Vaudrin said no one in the Department of Labor in Alaska is capable of doing test validating. Senator Ray added that the budget noted a data bank and retrieval bank. He said he did not feel this was in the providence of the Human Rights Commission. Mr. Vaudrin answered that this will be handled by people under a federal programs -- the State is not being asked to do it. Mr. Vaudrin said if the Department of Labor would handle this it would be "fine." Senator Groh said he was sure the Department of Labor received funds for a computerized data storage and retrieval system. Mr. Vaudrin disagreed. He said he felt they were just pouring money down a hole. Mr. Vaudrin continued that he would like to identify some of the problems and work with employers so that people would not be deprived of opportunities. Senator Groh said he thought this was a commendable attitude but did not think it was the Commission's function. He said as he saw the Commission's function they get in at "the end of the road." Insofar as getting in on the "front end" of the road there are other agencies obligated to be taking care of this.

Senator Ray said he felt this was an admirable approach but the Committee would be criticized for giving funds to a program that belongs to another agency. He added that he could not help but sympathize with Mr. Vaudrin's problems. Senator Ray said perhaps the Human Rights Commission should be a part of the Department of Labor. If the Commission could be set up with the Department of Labor, perhaps they could find additional federal funding. Mr. Vaudrin said this might be true in the area of employment rights. Senator Palmer suggested that a contractual type of arrangement could be established with the Department of Labor. This was briefly discussed.

The Committee discussed specific cases of discrimination. Mr. Vaudrin noted in San Francisco the requirements for hiring policemen had a height minimum of 5'8". This automatically eliminated most of the Chinese population. There was no evidence that this height requirement related to job performance. Senator Groh said if the State Troopers place height and weight requirements, would this be prima facie discrimination. Mr. Vaudrin said yes it would be.

Discussion followed on the hiring policies of canneries.

Senator Groh said that the agency had requested 13 additional people and the Governor allowed two. Mr. Vaudrin said the Deputy Director is his most critical need -- this is not funded elsewhere. The Legal Counsel is funded under E.E.O.C. The Governor allowed the Field Representative in Juneau and the Clerk Typist in Juneau. The Clerk Typist in Fairbanks was not funded and Mr. Vaudrin said this creates a bad situation as the Field Representative ends up doing all the clerical work. There are 6 investigators under UYA and VISTA.

Senator Groh said there were 450 complaints filed in 1974. He asked how many resulted in violations of the Human Rights Act. Mr. Vaudrin said he would guess about one-third. About two-thirds of the cases require more investigation. Senator Groh asked how many of the cases filed resulted in appeals to the Courts. Mr. Vaudrin answered zero.

Senator Ray commended Mr. Vaudrin on his presentation.

Mr. Vaudrin said there were several things to explain his request for more money: (1) was the increase of sex discrimination cases; (2) rural focus (Mr. Vaudrin said he was very concerned about the villages and rural areas); and (3) pipeline impact.

Mr. Vaudrin said he was concerned about his travel budget.

Mr. Vaudrin said they need more funds in order to travel to the villages to inform and educate the rural areas. Mr. Vaudrin stated that one-half of his travel budget is for Commission meetings. Senator Groh said the agency had requested 86.0 and the Governor's allowance was 20.0.

Recess: Senator Groh thanked Mr. Vaudrin for his presentation and the meeting recessed at 11:55 a.m.

JOINT SENATE STATE AFFAIRS/FINANCE COMMITTEES
MINUTES
February 21, 1974
2:00 p.m.

Present: Senators K. Miller, Rettig (State Affairs Committee);
Senators Groh, Poland, Palmer, Lewis (Finance Committee);

Also Present: Senators T. Miller, Pete Meland, Silides.
Representatives Gardiner, M. Miller, Haugen, Freeman.

Don Berry, Alaska Municipal League; Bill Boardman; E. J. Emery, City of Juneau.
City Managers: Herb McNabb, Wrangell; Jack Greene, Homer; Jack Isadore, Kodiak; Jim Filip, Seward, Sam Coxson, Dillingham; Wes Howe, Matanuska-Susitna Borough; Jim Eide, Ketchikan; Rocky Gutierrez, Sitka. Don Statter, Director, Division of Water and Harbors; Ketchikan Mayor Bill Moran.

Joe LaRocca, news reporter; Mary Pat Murphy, Associated Press; Howard Weaver, Anchorage News; Ken Roberts, freelance photographer.

SB 350 and
SB 351
Port
Facilities

Senator K. Miller called the meeting to order and announced that this joint meeting is for the purpose of discussing Senate Bills 350 and 351 which are currently in the State Affairs Committee.

Senate Bill 350 provides for State assistance to municipalities in the construction of port facilities. Senate Bill 351 provides for the issuance of general obligation bonds in the amount of \$20 million for the purpose of paying the cost of port facilities development projects.

Don Berry, Executive Director of the Alaska Municipal League, said he would not testify at this time since many city managers, who will be leaving town soon, are here for that purpose.

Senator K. Miller announced that the prime sponsor of these bills is Senator Kay Poland.

Ketchikan

Bill Boardman, representing the City of Ketchikan, stated that he is also Vice President and a member of the Board of the Southeast Conference. He briefed the committee on the background of the Southeast Conference which is an organization dedicated to promoting transportation programs, particularly water-borne transportation. Mr. Boardman testified that the Southeast Conference believes SB 350 and SB 351 are the most significant bills before this Legislature in terms of a program that has to do with basic needs of the State: water-borne commerce of a functional nature. The Southeast Conference supported the bills, with the following proposed amendments:

1. Delete \$20 million where it appears throughout, and insert \$25 million.

2. On page 1, line 26, delete the comma and the words "as follows" and add "and shall be apportioned to, but not limited to the following projects and estimates:"
3. Page 2, insert new paren (6) and renumber remaining parens (6) \$1,500,000--Cordova.
4. Page 2, insert new paren (24) as follows:

(24) \$3,500,000--Other miscellaneous port facilities development projects, including those listed above, who meet the criteria standards and are recommended by the Commissioner of Public Works and approved by the Governor."

Juneau

E. J. "Buck" Emery, Administrative Services Officer, City and Borough of Juneau, (who is also a member of the Southeast Conference) testified that the City and Borough of Juneau would like to go on record in support of SB 350 and 351, and the companion House Bills (586 and 587). Mr. Emery told the committees that Juneau has been actively engaged in trying to work toward some type of development relating to port facilities. He submitted a written report to the committees and proceeded to summarize it briefly. One concern related to Section 30.30.020 (a)(1). He believed the word "economically" should be removed, based upon the presumption that if port facilities were "economically" feasible, every sea coast community would have already developed some type of port facility.

Mr. Emery emphasized the fact that it would be very difficult, with the situation that exists in Juneau at the present time, to get an "economically feasible" project. He felt it is more important that the community demonstrate its ability to finance its local share, and that they are able and willing to maintain and support the facility even if it is a deficit operation.

Mr. Emery pointed out that the State has been very active in developing airports throughout Alaska and many of these were not "economically feasible", and yet they were a very important need. He remarked that our boat harbors, which are constructed by the State and operated and maintained by the individual communities, are, in many instances, not economically feasible--and port facilities fall in this same category.

Mr. Emery said that many of the communities in non-populous areas depend upon water-borne transportation, noting that Juneau at the present time has seven facilities which are vying for water-borne transportation.

Mr. Emery's written report addressed a number of matters concerning development of port facilities, including a recommendation to increase the total package to \$25 million from \$20 million, with the additional \$5 million scheduled for miscellaneous projects and for contingencies. (For a copy of this written report, refer to Senate Finance Committee bill file).

Ketchikan

Jim Eide, City Manager of Ketchikan, spoke in favor of both senate bills. He felt that "it is an investment that will return dollars to the State." Mr. Eide touched on one segment of the benefits the bills might provide--the tourist industry. He said the waterfront study conducted by Ketchikan indicated that in 1970 the cruise ships were unloading 25,000 passengers a year in Ketchikan. They are now up to almost 40,000 passengers a year. 1974 projections indicated about 50,000, with possibly 100,000 passengers by 1975. Mr. Eide spoke to the need for port facilities for the cruise ships so they will not have to anchor out in the harbor. He said the number of hours the passengers spend ashore is directly related to how much money they spend in town. These hours are reduced when passengers must lighter back and forth. He explained that they are looking toward trying to lengthen the time tourists spend ashore, and estimated that an average passenger will spend about \$5/hr. for each hour ashore.

Senator Groh asked what the extent of Ketchikan's port facilities is at the present time. Mr. Eide replied that there isn't any real port. They have the old Alaska Steam Dock which is owned by the company; however, this is not available to the cruise ships.

Senator Groh asked what it would cost to build a port facility in Ketchikan. Mr. Eide stated that the preliminary 1970 estimate anticipated a cost of \$750,000 if Ketchikan owned the land. However, this estimate needs a lot of updating.

Senator Groh asked if Ketchikan could afford to bond for it now. Mr. Eide replied that the people of Ketchikan could not afford to build a port facility on its own. In answer to Senator Silides question, Mr. Eide said he thought Ketchikan could support its matching share (20%).

Referring to a statement Mr. Eide had made, Senator Palmer asked why it would not be feasible for Ketchikan to take over the Alaska Steam Dock. Mr. Eide explained that it is a very expensive piece of property in the downtown area, valued at about \$500,000. In its present condition, it is not adequate to accommodate the larger ships. Answering Senator Palmer, Mr. Eide stated that the City had no tidelands available on which to construct a port facility. He said they would either acquire the Alaska Steam property or purchase some of the four miles of waterfront property in Ketchikan.

Senator Groh noted that, according to the allocation in SB 351, Ketchikan would receive about \$150 per person (10,000 population, and a \$1.5 million allocation). Couldn't Ketchikan bond in that amount? Mr. Eide responded by listing other multi-million dollar improvement projects Ketchikan is currently involved in; i.e., water and sewer, street program, new fire station. He felt it is asking a lot of a small community to also bond for port facilities.

Anchorage

Erwin Davis, Port Director for City of Anchorage, submitted a written report supporting the "spirit and objectives" of the legislation. (Report is filed in Senate Finance Committee bill file). The written report, which Mr. Davis covered verbally, stated that Anchorage's port facilities indirectly benefit 240,000 people, or about 70% of Alaska's population. A 1970 study of Anchorage port facilities indicated that the city's capacity to handle the anticipated petroleum throughput would be reached in 1974. Thus, in 1973 the City started on the first phase of a construction project to expand their port facilities. This was funded with \$3 million G.O. bonds and a \$3 million grant from EDA.

In anticipation of the second stage of their expansion, Anchorage got authorization for an additional \$3 million in G.O. bonds, subject to receipt of matching funds from federal, state or other sources. He felt the prospects for additional EDA aid are extremely slim. As a result, the city is in the position of not being able to fund the new facilities required for normal growth and large volumes of additional cargo that will be generated by construction of the Alaska Pipeline. Because they now find their 1970 estimates too conservative (understatement of economic consequences of North Slope oil development), they now have an immediate need for additional terminal facilities requiring new funding of \$5-6 million. He said the expansion program in marine terminal facilities now being undertaken by Anchorage is approaching \$20 million.

Mr. Davis believed the greatest detrimental impact will be felt by areas outside the Greater Anchorage area which Anchorage serves. He testified that Anchorage needs financial assistance to complete the general cargo terminal which is now under construction, plus an additional source of funds (possibly impact funds) to complete a new facility to serve the trade now known to exist that will be serving the pipeline and related oil production projects.

Mr. Davis said Anchorage feels that the allocation formula in the senate bill should take into account the population served by the facility, and not just the population of the owning local government. He felt this allocation should be uniformly applied throughout the state. He pointed out that the size of a governmental unit is not necessarily an indication of financial capability to provide for capital expansion.

Senator Palmer asked what Anchorage's port facilities earned in relation to its operation expenses and debt service. Mr. Davis replied that they have had a shortfall each year. He roughly estimated a \$1 million shortfall in 1963; and a \$500,000 shortfall in recent years. He pointed out that with the expansion program they are going into, they will no doubt have bigger shortfalls.

Anchorage
(continued)

Senator Palmer asked if Anchorage has a study that would show earnings versus costs. Mr. Davis stated that they have made studies that indicate, with their expansion program, 1980 would be a little early to get back into a favorable financial situation.

Senator Groh asked if it would not be possible to make up the shortfall by increased rates, to which Mr. Davis replied he did not think increased rates would solve the problem. He explained that the rates are negotiated and approved by the Federal Maritime Commission, and they can only go so far. He added that ports are not necessarily money-making operations.

Referring to Page 7 of the report, Senator Groh asked Mr. Davis to explain what he meant by suggesting that the allocation formula be uniformly applied throughout the State. Mr. Davis replied that they feel their situation in Anchorage may not be any different than, say, Ketchikan's. (serving areas outside of the governmental unit)

Senator Palmer was concerned about applying the same allocation uniformly, from the standpoint of the smaller unorganized communities where there is no tax base and no way to get this percentage; and yet these people have consistently paid a large part of the fuel tax and have received nothing. He said, in these large bond issues, there is no way for them to come up with their local share.

Senator Silides pointed out that SB's 350 and 351 are not in opposition to each other. SB 350 provides that grants "may not exceed" a certain percentage. He felt that we would all concede that \$25 million is a big chunk of money and if we allocate \$11.2 million to Anchorage (as proposed), he felt the people in the small areas around the Yukon River merit some consideration.

Senator Rettig asked what the total tonnage coming through Anchorage was. Mr. Davis replied "2,012,000 tons", adding that less than 50% of that total is destined for Anchorage per se--more than 50% moves out of their area. Answering Senator Rettig, Mr. Davis said the amount proposed to be allocated to Anchorage in SB 351 falls short of their existing needs.

Replying to Senator Silides question, Mr. Davis stated that Anchorage can meet its operating expenses and debt service on revenue bonds, but it cannot meet the debt service on the G.O. bonds. This is made up from taxes in the City of Anchorage.

Kasilof

Senator Groh asked if Mr. Davis thought the \$250,000 allocation to Kasilof is justified. Kasilof has a population of 71. Mr. Davis said he is not familiar with that allocation. Senator Palmer said he found it difficult to justify. Senator Silides stated there has been a report published on this subject, indicating that it is to facilitate docking of fishing boats,

and it has been shown that added income to the fishermen would result by lack of spoilage if they had this landing facility. Senator Groh pointed out that the distance from Kasilof to Homer is only 20 miles.

Senator Silides felt that there are sufficient safeguards in the bill so that money will not be appropriated to communities unless it can be shown that a port facility is justified.

Senator Palmer remarked that if we look at seasonal figures, we may find that communities with small permanent populations may have many boats that need facilities during the fishing season-- It is not a matter of census by any means.

Dillingham

Sam Coxon, City Manager of Dillingham spoke in support of the senate bills, saying that Dillingham, with a population of 1,000 serves a population of about 4500, and has need of better port facilities. He said at the present time the Dillingham dock is inoperable, having been wiped out by a barge. He said they have received some EDA money to expand the dock so they can better secure ocean-going barges.

Answering Senator Rettig's questions, Mr. Coxson said the City had about 9,000 tons of nonpetroleum goods come in last year. The past practice has been to either lighter into the shore or beach the barge. This drives cost of freight up, as it takes additional tides to set the barge in and unload it. In addition, areas outside of Dillingham will be needing Dillingham's port services during the pipeline construction for items that cannot be flown in. Tonnage forecasts range from 30,000 tons for one year, to 100,000 tons for a three year period.

Seward

Jim Filip, City Manager of Seward, went on record in support of both senate bills. He said if Seward got some money, they would build a multi-use facility which could accommodate the tourist industry in the Summer, research activities, possibly oil exploration shipping of mineral resources which might be going out of the State).

Answering Senator Groh, Mr. Filip said he has talked to the El Paso people concerning the natural gas pipeline. He said Seward supports the all-Alaskan concept (the pipeline should remain entirely in the State).

Senator Silides said he would presume that if Seward acquired the federal dock facility in Seward by a donation, they really would not worry about the \$500,000 allocated to them in SB 351. Mr. Filip replied that he did not think the railroad will give them the facility, but they will continue to press them. He said if Seward did not need the funds, they would not be asking for them. He said their ability to raise local funds is limited by their tax base. The present population of Seward is about 1800.

Filip replied that he did not think the railroad will give them the facility, but they will continue to press them. He said if Seward did not need the funds, they would not be asking for them. He said their ability to raise local funds is limited by their tax base. The present population of Seward is about 1800.

Kodiak

Jack Isadore, City Manager of Kodiak, testified that Kodiak, which has the second largest port in the State and is the second largest fish product exporter in the United States, has a dire problem--they have three times the fishing fleet they can accommodate with their small boat harbors. They have a very pressing need for a fishermen's warehouse. He urged the committees not to amend the bill in any manner, and to put it before the voters as soon as possible.

Senator Groh asked whether the \$1 million allocated for Kodiak would solve their problem. Mr. Isadore was non-committal.

Wrangell

Herb McNabb, City Manager of Wrangell, supported both senate bills with the modifications suggested by the Southeast Conference. He said Wrangell's situation is that in 1972 Wrangell was forced to buy a run-down port facility or have it torn down. Mr. McNabb stated that although they can handle the freight coming in now, they are operating under adverse conditions; for instance, barges carrying trailers and heavy equipment must wait for a proper tide, and this increases transportation costs. He said the income they are generating from the wharf facility now is enough to maintain the facility, but not enough to upgrade it. He pointed out that tourism is also important to Wrangell, noting that they have scheduled 90 cruise ships for this summer. He said some of the larger ships have indicated a willingness to dock at Wrangell if they had facilities. As a long-range goal, Wrangell would like to be in a position to transport ore deposits which will eventually be developed 25 miles across the Canadian border.

Senator Silides asked if Wrangell would expect to make money from their dock facility, once upgraded. Mr. McNabb replied "yes", with a first-class facility, even without the ore, they would expect to be taking in more they would spend.

Nome

Roland Lynn, City Manager of Nome, read a prepared statement which supported both senate bills. He stated that Nome has a need for a deep draft facility as their present facilities are completely inadequate. Presently, commercial freight must be lightered approximately a half mile which results in about a 28% increase in transportation costs. He estimated that Nome averages about 30,000 tons of freight a year. It could be about 30-38,000 tons a year, and this does not take into account the increase that will result when gold mining commences on the Seward Peninsula. He urged the committees to approve the legislation.

Answering Senator Rettig's question, Mr. Lynn stated that Nome has presented testimony to the Senate Public Works Committee and has requested that Nome be included in the Northwest Harbors Study being conducted by the Corps of Engineers. They expect this economic feasibility study to be completed in April. Optimistically, the Corps has indicated the project would be 17 years down the road. Mr. Lynn said the Corps will not participate in the construction. Senator Silides mentioned that the Corps can only participate in certain types of construction.

Waters &
Harbors

Don Statter, Director of the Division of Water and Harbors, told the committees that he has reports on most of the projects mentioned by the city managers and they are available for review if the committees desire. He also noted that Water and Harbors prepared a report on this particular bond issue for the House Finance Committee for their companion bills.

Petersburg

Hesden Scougal, Petersburg, supported Senate Bills 350 and 351. He said that Petersburg has no port facility at all--everything comes through the marine highway system at the Foss-Alaska Dock. They have no tour boats that stop in Petersburg.

Responding to Senator Rettig's question, Mr. Scougal said that Petersburg exports about 150 tons a day. He said their population is about 2300, with a lot more during summer months. He said the present Foss-Alaska dock is overtaxed, and Petersburg needs a port to "trap the tourist dollar." He testified that Petersburg has a 5% sales tax, and a \$1 million budget, and is "bonded up to the neck."

Ketchikan
Mayor

Bill Moran, Mayor of Ketchikan endorsed the statements made by Bill Boardman and Ketchikan Manager Jim Eide, and added some comments of his own. He cited recent tonnage figures and noted that Ketchikan's situation is parallel to that of Anchorage, in that it serves as a staging area and distribution point for smaller surrounding communities. He felt that Ketchikan must look to diversifying its economic base, especially since the logging industry is being impacted by restrictive environmental laws. Ketchikan projects about 50,000 tour boat people this year, and their present facilities are extremely poor for a town of Ketchikan's size. He said their big carrier is becoming the Alaska Ferry System, but it is noticeable that the ferries are running full. Also, ferries are not designed to carry freight. He said Ketchikan has conducted several waterfront studies, and they do have a large section of waterfront property which is relatively free of any encumbrances.

Mr. Morgan urged the adoption of this legislation. He did not feel the taxpayers of Ketchikan could float a bond issue of a size they need to construct a regional port facility. He felt that, as far as Southeast Alaska is concerned, the State would more than get its money back in tax dollars.

Responding to Senator Rettig's question, Mr. Moran saw no problem in Ketchikan financing the local share of the matching funds.

Kasilof

Frank Mullen, resident of Kasilof, advised the committees that there is no facility in Kasilof to tie up boats. He felt that \$250,000 may be too large an amount of money, but some kind of facility is needed. All the residents of Kasilof are fishermen, and they do need a place to tie up their boats.

In reply to Senator Rettig's inquiry, Mr. Mullen said the facility would be built up inside the river. He estimated that within a 20 mile radius of Kasilof, there are about 100 fishermen who need a tying-up facility.

In answer to Senator Groh, Mr. Mullen stated that \$20,000 might be sufficient for some kind of facility to tie up boats.

Senator Miller thanked the city managers and others for making their presentations. He announced that the senate bills are now in the State Affairs Committee, and he is somewhat optimistic about their outcome in State Affairs. The bills will then be forwarded on to the Senate Finance Committee.

Adjourn

There being no further business, the meeting adjourned at 4:00 p.m.

SENATE FINANCE COMMITTEE

February 22, 1974

1:15 P.M.

Present: Senators Groh, Poland, Ray. Richard Barrier, Asst. Administrative Director; Susan Bart, Administrative Assistant, Alaska Court System. Ken Roberts, free-lance photographer.

ADMINISTRATION
OF JUSTICE

Alaska
Court
System

Sen. Groh called the meeting to order for the purpose of hearing testimony on the Alaska Court System budget request.

Mr. Barrier explained the budget request was prepared based on where the funds were allocated, rather than where funds were appropriated, thus giving a truer picture of operations within the Court System. The Governor's budget granted a single appropriation, based on the fact that the Court System was a third branch of government and could not be controlled by other branches of government, and Mr. Barrier would prefer a lump sum appropriation from the legislature. Transfer of funds within the agency entailed paper-work and needless "activity", added Mr. Barrier, while a lump sum appropriation would show confidence on the part of the legislature that the Court System would allocate where necessary, as needed.

There was very little money in the budget request over which the Court System had control, as a large percentage of costs was mandatory. Mr. Barrier said the budget request was basically reduced as far as actual dollars to be spent other than mandatory costs, as the Court System was attempting to operate in a more efficient manner. Theoretically there was no increase in maintenance level, although a heavy workload increase was expected. \$350,000 of General Fund money was requested to increase efficiency, which was the money in which the Court System was interested in receiving, continued Mr. Barrier.

Supreme
Court

Replying to questions from the committee, Mr. Barrier stated the \$7,500 in Personal Services was requested to pay the difference between retirement payments and salary for Justice Dimond, who would sit in on cases.

Maintenance requests for new state buildings were probably high, according to Mr. Barrier, as the completion date on the Juneau

Court House would be virtually at the end of the fiscal year, May or June, 1975. Mr. Barrier suggested the money could be subtracted from the budget request, with the agency requesting a supplemental next year, if needed. The legislature could also grant the money on a contingency basis, with the funds to be released through the Budget & Audit Committee, added Mr. Barrier.

District
Courts

The committee questioned \$7,800 requested in the 2nd Judicial District to remodel the Nome Clerks area, since \$13,000 had been granted in FY 74 for this project. Mr. Barrier said the FY 74 funding had apparently been transferred to another area, as the Nome Clerks area had not been remodeled.

Magistrates salaries were questioned, and Mr. Barrier stated federal money had been received for a magistrate reporting system where magistrates would record whatever activity they performed for the state and show actual costs of extraordinary circumstances. This reporting system should show where magistrates are needed and where they could be deleted. Modular units have been requested to be used for locking up drunk and dangerous people, rather than transporting them to town. Five to seven positions are listed which most likely would not be filled, continued Mr. Barrier, since he had not received advice from the Magistrate Advisory Committee at the time the budget request was prepared. Girdwood was an example of a post not filled, which could be deleted. Mr. Nix of the Court System had been preparing a list for long-range planning which would list other deletions, added Ms. Bart. Sen. Ray asked that these positions be deleted from the budget request.

Referring to the 3rd Judicial District, Sen. Ray said \$104,500 could be added to the sub-committee's recommendation if funding was needed for the rent/maint. for Anchorage Park, Kenai Court and Valdez building. Mr. Barrier said the Kenai Court was scheduled for completion in March, 1975, and the Anchorage Park very possibly would not be completed or occupied until May or June of 1975.

Sen. Ray referred to the 4th Judicial District, and noted the sub-committee's recommendation was changed as follows:
Contractual 633,900, Total 1,636,600.

Mr. Barrier noted eventually there would be a need for a change in districts, since Bethel was now treated as a 5th District and similar treatment was needed for Barrow. Barrow was now in the 2nd District.

Sen. Lewis joined the meeting at 2:00 P.M.

Sen. Ray recommended that the Court System consider an amendment to eliminate conflict of interest cases from the Public Defender's responsibility, as the Court appointed lawyers but the Public Defender paid their bills. Sen. Groh added the Public Defender statute needed amending to place the responsibility for selection and payment of attorneys in the Court System. Mr. Barrier suggested the legislature put through a bill amending this statute, attaching dollar figures to the bill rather than putting the money in the Court System budget. After the first year, the Court System could budget for it.

Libraries Libraries, Commodities, included \$70,000 to enlarge smaller libraries and establish magistrates' libraries, which was questioned by the committee. Mr. Barrier did not know the reason for this request and would advise the committee.

Adjourned: The meeting adjourned at 2:10 P.M.

SENATE FINANCE COMMITTEE

February 26, 1974

11:15 a.m.

Present: Senators Groh, Poland, Lewis, Sackett, Ray

Al Parish, President, Alaska Visitors Association; Frank Seymore, Executive Director, AVA; Martha Edwards, Legislative Chairman, AVA; Jim Binkley, Alaska Riverways, Fairbanks.s

Elaine Mitchell, Alaska Educational Broadcasting.

Alaska
Visitors
Assn.

Mr. Al Parish, President of AVA, read a prepared statement entitled "Introductory Comments-AVA 1974 Legislative Goals" which had been distributed to committee members, and called attention to the five exhibits attached to this statement. (See Senate Finance file).

Mr. Parish gave a brief description of the material contained in each exhibit as follows:

Exhibit 1: Shows volume of tourists from 1964-1974, and percentage of tourist visits by mode of travel.

Exhibit 2: Gives a comparison for years 1964 - 1973 between Governor's Budget for the Division of Tourism and the Legislative Allowance, and showed increase in visitor traffic.

Exhibit 3: Showed percentages and dollar volume of State revenues attributed to tourism.

Exhibit 4: A list of bills endorsed by the AVA.

Exhibit 5: State Funding Recommendations of the AVA for the 1974 Legislative Session. (Copies of the bills were attached to this list).

Senator Groh asked if AVA has considered the theory adopted by some other states--reduce tourism expenditures on the theory that people are going to come anyway. Mr. Parish said he is aware of that theory; however, he pointed out that the Alaska destination point is a much harder product to sell than, say, Oregon, because states like that enjoy tourist traffic from other states.

Senator Ray noted that the problem seems to be that the tourism people have had a hard time selling any Governor on their requests. Mr. Parish acknowledged that the legislative appropriations for tourism have always been higher than what the Governor has allowed.

Referring to Exhibit 3, Mr. Parish noted that these figures might be off somewhat.

Referring to Exhibit 3, Senator Ray questioned that 50% of the revenue from watercraft fuel tax is attributed to tourists. Mr. Seymore acknowledged that it may or may not be totally accurate. The figures were compiled by economists who were not necessarily familiar with tourism. They took all recreational craft into consideration in this figure. Senator Ray thought about 90% of the watercraft fuel tax was paid by commercial fishing vessels.

Senator Ray questioned the 20% attributable to tourists for the Aviation fuel tax. Mr. Seymore explained that figure was based upon counsel of the major air carriers who felt that 20% was tourism related.

Mr. Parish stated that AVA is not sure that these figures are factual, but they will be coming to the Legislature with a piece of legislation that will help them to draw a better picture of what tourist trade actually brings in.

Exhibit 4. Mr. Seymore, at Senator Groh's request, gave a brief explanation of the following bills endorsed by AVA:

HCR 35 - relating to visitor information centers. This calls for the Division of Tourism to come back to the Legislature with information about what it would cost for the State to become more involved in visitor information.

Senator Groh asked "how many have we got now?" Mr. Seymore replied that there is one center in Tok and one in Seattle at the ferry terminal. Senator Poland said she thought there were visitor information centers in Anchorage and Fairbanks. Mr. Seymore replied that there is one at the Anchorage International Airport which has been run by volunteers; however, because of the tremendous volume, they have advised that they will now withdraw--they simply cannot do the job with volunteers, because of the volume. There is a similar problem in Fairbanks. He said they need a center at the Sea-Tac Airport and at other locations because of the fantastic volume.

Senator Lewis asked what Mr. Seymore had in mind for the center at the Sea-Tac Airport. Mr. Seymore replied that they do not really know. That is why they want the DOT to compile this information. Mr. Parish stated that the department is currently compiling this information and it should be ready by tomorrow morning--it will show what the costs are.

HCR 36 - relating to a study of utility and transportation facilities for tourists.

Mr. Seymore stated that there are many areas in the Bush where there are no public utilities available; therefore, no major recreational facility has been built in the Bush area in recent years, with the exception of Mt. McKinley. He said perhaps the State could recommend grants or guarantee loans which would help in capitalization of visitor facilities in these areas.

Senator Groh asked if the Tourism Revolving Loan Fund is helping in this regard. Mr. Seymore replied "To some extent, yes, but they cannot afford to build a sizeable facility today."

Senator Groh cited some amounts of loans that have been made with the revolving fund, which included, among some others, \$244,000 in Fairbanks, \$105,000 to Bristol Bay Lodge, \$625,000 to the Hill Top Motel in Ketchikan.

Senator Ray asked Senator Sackett if he felt there was any tourist value in his area (Galena area). Senator Sackett said that the opportunity should be there for anyone who wants to visit the area. He felt the main "tourist factor" in the area would be its scenic value. He did not feel they would get many sportsmen and fishermen because there are other areas in the State which offer that. Answering Senator Ray, Senator Sackett said more and more "back-packer" types are coming in.

Senator Ray stated that "back-packers" are not a tourism asset. Comfort is what the tourist wants.

HCR 37 - requesting a study and development of recommendations for land use controls along the state highway system in the unorganized borough.

Mr. Seymore stated that at the Association's meeting in Anchorage several people testified that they are concerned about some areas in unorganized boroughs being developed with unsightly development. This bill asks the Legislature to develop a solution to deal with that problem. Senator Sackett said he thought it was absolutely essential.

Senator Ray wanted to know what the Land Use Planning Council is doing in this respect.

HCR 38 - requesting authorization of adequate funds for the placement of an information specialist in the Alaska Travel Division in Anchorage.

Mr. Seymore explained that testimony at the AVA conference in Anchorage indicated that it would be highly desirable to have one person from the Department of Tourism in the City of Anchorage on a permanent basis because of the volume of business.

Senator Groh noted that there are 20 people currently employed in that department, and that a grand total of 41 conventions have been booked for 1974. Couldn't the "Convention Promotion Coordinator", if transferred, handle that, plus being the specialist at the same time? Mr. Parish stated that the Coordinator must spend most of his time outside of Alaska getting conventions into Alaska. Senator Ray said about 80% of the Coordinator's time is spent outside.

Senator Groh questioned why one of the division's current employees fill the position of Information Specialist in Anchorage. Mr. Seymore pointed out that they are recommending an additional three people. He stated that the industry has grown, and the DOT staff level has not changed for three years.

Senator Groh asked if some of these information duties might not be an appropriate function for the Anchorage Chamber of Commerce. Mr. Seymore felt that it was not a local function at all, as Alaska is a total destination for tourists, not just one community.

HB 595 - making a special appropriation to the Department of Economic Development, division of economic enterprise, for the purpose of funding a statewide tourism impact study; and providing for an effective date.

Mr. Seymore stated that the House has introduced a committee substitute to this bill which would change the amount from \$150,000 to \$250,000. The House felt that the study should incorporate information about what it costs the State to have tourists. Also, they felt the matching funds for communities would require more.

Senator Lewis asked if there had not been other studies done on tourism. Mr. Seymore explained that there has never been an "economic impact" study of tourism in the State, although there have been traffic studies. Mr. Parish said the traffic count study which was funded by a EDA grant in 1967, and done by consultants Cresap, McCormick and Paget, covered three areas: (1) a prototype study of Mt. McKinley, (2) a study of hotels and (3) what we could expect in visitor traffic.

Senator Lewis asked if they expected the energy crises to have an effect on tourism. Mr. Parish stated that they have statistics that show the pre-packaged tour business will be higher than last year. They felt any decrease will be in the area of highway recreational vehicles or the marine transportation system. He said they are concentrating on developing the Western Canadian market, as Canada seems to have an ample supply of fuel.

Senator Groh noted that the business magazines he has read seem to indicate that the motel industry is going into a panic, and that they are pulling back on new construction. Senator Sackett stated that at the recent energy conference he attended, it was pointed out that a fantastic decrease in tourism is expected. He felt gasoline for tourists will be very low on the list of priorities.

Mr. Parish pointed out that a majority of traffic in Alaska is generated through mass transportation carriers, not recreational vehicles.

HB 596 - establishing a tourist development and visitor information center program; and providing for an effective date.

Mr. Seymore explained that this would revise the existing authorization so that funds could be used to help fund visitor centers--it would increase the amount from \$1,000 to \$2,000, and will broaden the way the money can be used. He said this is a matching grant program.

HB 597 - An act making a special appropriation to the University of Alaska for the implementation of tourist industry management courses.

Mr. Seymore explained that AVA has meet with the University of Hawaii and the University of Alaska, and the University of Alaska has designed a basic outline of five courses in tourist industry management. They need one additional professor. Answering Senator Groh, Mr. Seymore stated that this is not part of the University's budget request--it is separate.

HB 598 - making a special appropriation to the Department of Commerce for the tourism revolving fund.

Mr. Seymore stated that this would add \$5 million to the Tourism Revolving Loan Fund.

Senator Butrovich asked how this year's bookings compare with last year's. Mr. Parish said they are up over last year's substantially.

Senator Butrovich asked how the tourism industry expected to accommodate all the trades people who will be coming to Fairbanks this year with the start of the pipeline construction, plus the tourists. He stated that one big gripe people have is that they pay for a grand tour and end up in a dump.

Mr. Parish replied that additional expansion in Fairbanks will accommodate a certain percentage; however, he acknowledged that they really do not know what to expect. Senator Butrovich added that he also expects to see quite a few Canadians coming across the border to work on the pipeline.

Exhibit 5. Mr. Parish ran down the list of funding recommendations for the Division of Tourism. The total request was for \$628,550 additional funding, plus \$5 million additional appropriation for the Tourism Revolving Loan Fund (HB 598).

Senator Groh noted that we have 300,000 people in Alaska and a \$1.2 million tourism budget. That is \$4 per capita; and AVA is proposing to spend \$6 per capita. He said if California had that amount per capita, they would have an \$80 million budget. Mr. Seymore felt that our tourism budget could not be compared to California, as California is not a total destination for the tourist--a specific city, such as San Francisco is, and these cities spend money in promoting tourism.

Mr. Parish agreed that, viewed in that context, Alaska probably has the highest per capita tourism budget, but that does not make it a large amount.

Senator Groh thanked the group for making their presentations and stated that the committee might be calling upon them for information when it considers the Division of Tourism budget.

Adjourn

There being no further business to come before the committee, the meeting was adjourned at 12:05 p.m.

SENATE FINANCE COMMITTEE

February 27, 1974

9:10 a.m.

Present: Senators Groh, Butrovich, Sackett and Ray. From the Department of Health and Social Services, Commissioner Fred McGinnis, Jim McClain and Lowell Swartz; Jerry Madden; Senator Lowell Thomas; Dr. Kim Smith, Juneau physician; Vic Dirksen, Administrator of Bartlett Memorial Hospital; and Elaine Mitchell, Alaska Educational Broadcasting, were also present.

Nursing Homes Senator Groh called the meeting to order. He introduced Dr. Smith and Mr. Dirksen noting they were present to speak on the need for a nursing home in Juneau.

Dr. Smith stated that every nursing home in Southeast has a tremendous waiting list. He has patients who need to be in nursing homes but who do not want to leave Juneau.

Senator Ray stated that if they could generate enough interest and formulate a program this matter could be presented in a bond proposal. He felt that the need is apparent. There is a need for a nursing home in a central area. Senator Ray did not feel they could build Pioneer Homes fast enough to take care of all these people.

In answer to Senator Ray, Commissioner McGinnis referred to Medicaid saying that a patient in a nursing home could qualify if the home is certified and if the person is qualified.

Commissioner McGinnis distributed a listing of Nursing Homes (page 97).

Commissioner McGinnis said when the Bartlett Memorial Hospital (Juneau) was built under the Hill-Burton plan it was indicated 8 beds would be nursing home beds. This has not been carried through.

Commissioner McGinnis referred to a recent study on the Pioneer Homes. The study shows in 1972 in Juneau a need for 8 long term beds, in 1975 a need for 24 beds and in 1980 the need for 26 beds. He said assuming these figures are true a 26 bed may be very marginal in terms of operation. Commissioner McGinnis said that Ketchikan, Wrangell and Petersburg have developed rather good models in relating nursing homes to hospitals. He felt a thorough exploration might be made to see whether Bartlett Hospital might devote a number of beds to nursing care.

Mr. Dirksen, Bartlett Hospital Administrator, said it would be impossible to make the beds available. As far as a free standing facility he felt that 80 beds would be a "break even point." Mr. Dirksen did not feel that 28 beds could be "economically justified."

Senator Groh asked why nursing home care would cost so much in Juneau if these other communities provide this care for \$35 a day. Mr. Dirksen said the majority of their costs are fixed. Because of the design of the hospital, it is a costly building and because of certain staffing patterns they would have to prorate these costs.

Senator Poland entered the meeting.

Senator Butrovich asked if the hospital was running full. Mr. Dirksen said since September it has been about 60 to 70% full but the occupancy jumps on occasion.

Mr. Dirksen said there had been a proposal to place the Alcoholism Rehabilitation Center at the hospital. A study had been done on this and they estimated it would cost the community \$20,000 to do this. Senator Butrovich stated it would be cheaper for the State to pick this up rather than building a nursing home.

Mr. Dirksen said the problem was the hospital could not designate any beds for long term care. Mr. Dirksen explained the make-up of the hospital (so many beds in intensive care, so many in maternity, etc.). He said even though beds in these areas might be empty they could not be used for long term care.

Senator Groh asked if the other hospitals were designating certain wings for nursing care why couldn't Juneau. Commissioner McGinnis said that he thought these institutions (such as Ketchikan, Wrangell and Petersburg) were planned in this manner. In some instances the hospitals had added on wings. He said he was rather sympathetic to what Mr. Dirksen was saying. If you have a number of beds, it cannot be assumed they will be available on a practical day-to-day basis. If you had to pick and chose from among the empty beds in the facility, it would be very disruptive from a program standpoint.

Senator Butrovich noted at the Careage North in Fairbanks the cost of \$27.42 for nursing home beds. He questioned why this same thing would cost \$65 a day in Juneau.

Senator Ray suggested that if a facility was put in Juneau because it is the "focal point" it would lessen the occupancy at Wrangell and Petersburg. Senator Ray felt this is a statewide problem and should be given adequate consideration.

Commissioner McGinnis referred to two studies and said he thought it could be defended that the Juneau region has a need for 30 beds for long term care.

Commissioner McGinnis stated that Comprehensive Health Planning would put together a report on nursing homes and furnish this to the committee.

Recess: The meeting recessed at 9:45 a.m.

Revised List of Nursing Homes, State of Alaska 1-23-74

<u>Nursing Home, Location</u>	<u>Type</u>	<u>Date of Last Certification</u>	<u>Skilled Nursing Home</u>		<u>Immediate Care</u>	
			<u>Beds</u>	<u>(Rate)</u>	<u>Beds</u>	<u>(Rate)</u>
Careage House, Anchorage	B	1-9-74 (9)	83	\$28.50	20	\$25.65
Careage North, Fairbanks	B	11-28-73 (6)	53	30.47	50	27.42
Cordova Com Hosp, Cordova	A	11-1-73 (6)	3	32.93	5	29.64
Glenmore Nursing, Anchorage	B	7-1-73 (12)	100	43.92 (R)		
Island View, Ketchikan	B	1-10-74 (12)	6	28.40	34	25.56
Maynard-McDougall, Nome	A	10-17-73 (6)	6**	29.00		26.10
Petersburg Gen, Petersburg	A	9-26-73 (6)	5	43.90	3	32.17
Ridgeview Manor, Anchorage	A	10-31-73 (6)			75	24.00
Valley Hospital, Palmer	C				4**	25.00
Wesleyan Nursing, Seward	A	10-19-73 (6)	14	26.44	50	25.80
Wrangell Gen Hosp, Wrangell	C				3	30.71
			270		244	
weighted average rate				\$34.83		25.33

Types: A -- Title XIX only
 B -- Title XVIII and XIX
 C -- Gen Relief-Medical only

** change in type or level of care pending

(R) -- effective 9-1-73

AFTER RECESS

1:30 P.M.

Present: All members with the exception of Senators Palmer and Sackett. Charles G. Adams, Jr., Director, Division of Corrections; Thomas Branton, Administrative Officer; Walt Jones, Chief, Probation & Parole Services. Mary Pat Murphy, A.P. reporter.

ADMINISTRATION
OF JUSTICE

Reformation of
Offenders

Sen. Groh called the meeting to order for the purpose of discussing Reformation of Offenders budget request and asked the reason for the \$100,000 discrepancy between Free Conference Committee authorization for FY 74 and the actual appropriation as listed in the FY 75 budget request. Mr. Adams was unable to explain the discrepancy without checking the figures, and would provide an answer to the committee at a later time. The meeting was turned over to Sen. Ray, chairman of the sub-committee on Administration of Justice.

Palmer
Adult
Camp

Referring to the Palmer Adult Camp, Sen. Ray noted the request was \$555,600, recommendation by the Governor for the same amount. Sen. Ray questioned the request for \$12,000 in Equipment, listed as switching gear for emergency power. Mr. Branton explained the Camp originally had an old power unit picked up from Civil Defense, which was not possible to repair and should be replaced. The new unit would provide for capability of minimum lights for the facility.

SCRCI
Anchorage
St. Jail

SCRCI, Anchorage State Jail, request was \$146,300, Governor recommended the same amount. Replying to questions from the committee, Mr. Adams said the jail itself will be used as a half-way house, due to the opening of the Eagle River facility. Three Assistant Superintendents are located in the Anchorage area: one at the State Jail, one at the City Jail, and one at Eagle River. When the Eagle River facility is opened, there will be no need for an Assistant Superintendent at the half-way house (presently the Anchorage St. Jail), and the position will be reclassified. No Assistant Superintendent will be necessary for a staff numbering four; however, at the time the budget was prepared an Assistant Superintendent was listed.

SERCI
Juneau

Sen. Groh asked how many inmates were currently housed in the Juneau jail, to which Mr. Adams replied 57. Although operating at half capacity, Mr. Adams said there was no way to reduce the staff, as space was needed for children and women, and staff needed for same on each shift. A floor officer and booking officer are needed for all shifts. Mr. Adams listed the number of inmates throughout the state as of February 17, 1974, as follows:

Adult Camp	59	
Fairbanks	101	
Nome	20	
Anchorage (3 facilities)	254	(15 in half-way house)
Juneau	57	
Ketchikan	18	
Outside Alaska	38	

NRCI
(Fairbanks)

Sen. Ray noted the request was for \$825,000 and the Governor recommended the same amount. No questions from the committee.

Ketchikan

Sen. Groh asked why 15 employees were needed for 18 inmates, to which Mr. Adams replied there were two facilities in Ketchikan. The juvenile detention home handled juveniles and adult women, was maintained 24 hours per day, and required a matron and cook for all shifts. The Ketchikan jail handled bookings, requiring two men on the shift and five men to man a post, plus superintendent and cook. The inmates could not be brought to Juneau since their attorneys and the court were located in Ketchikan. There are four inmates unsentenced at this time, who are kept in Ketchikan rather than pay transportation to Juneau escorted by a trooper and then back again for sentencing, since inmates have a right to trial in their election district. Once sentenced, they can be moved and are moved, continued Mr. Adams. The Juneau jail holds prisoners from Anchorage and Ketchikan, although the division does not bother to bring them to Juneau if they are only serving a few days or one week. Under the statute, inmates must be returned to where they were arrested, and the division makes the judgment as to whether it would be cheaper to transport them to Juneau or leave them in Ketchikan. Since there is a Superior Court in Ketchikan, that is where the men will be tried.

Anchorage
City Jail

Referring to the Anchorage City Jail, Sen. Ray questioned the increase in medical service to \$1.84. Mr. Branton said there was a remarkable increase in medical costs. The Anchorage City Jail was an intake point, and was where physical examinations would be done.

Replying to questions from the committee, Mr. Adams said the increase in the number of offenders was because the City of Anchorage had gone out of the jail business. They now arrest on state charges anything except prostitution and gambling, which offenses are penalized by a fine. For this reason, along with a significant increase in the crime problem in that area, the number of offenders has doubled in the last three years. Throughout the state local jurisdiction will charge offenders with state offenses rather than city; the rationale being the discrepancy between city ordinances and state law. Mr. Adams added that since the Supreme Court decision of the right to trial, the cities arrest on state charges.

SCRI
(Eagle
River)

Sen. Ray reviewed the Personal Services request for the Eagle River facility, 64 positions for 71 inmates. Mr. Adams said 71 inmates was an estimate of the number of prisoners who would be housed at Eagle River, although the jail could hold 100 inmates with core facilities for a maximum of 180 inmates. Sen. Ray noted the staff eats at the jail for state cost, and Mr. Adams agreed meal costs could be increased since they charge the staff actual out-of-pocket expenses rather than attendant costs to serving a meal. However, there are situations where men have half-an-hour for lunch, eaten while standing up and working, where the division doesn't worry about giving them their lunch at cost, added Mr. Adams.

Mr. Adams estimated an opening date of May 1, 1974, for the Eagle River facility. The division has been taking on staff since the first of the year for training and supplies have been ordered to be on hand. No funds will be lapsed as funds will be used for increased costs in juvenile care. Eagle River will offer a complete program for offenders, including work, educational, recreational, vocational training, and individual and group counselling. Under the work program, the possibility exists that private enterprise could contract for services of inmates as does IBM and Kodak down south. The state owns the land at Eagle River, and Mr. Adams said it could possibly become an agricultural area, although there is nothing there today.

Sen. Groh questioned the need for a new jail operating at 63% capacity, and a bonding proposal for another jail at Ketchikan. Mr. Adams replied the jails must have facilities for adult males, adult females and juveniles. He used as an example the Juneau jail, currently housing one juvenile boy and one juvenile girl tying up the entire juvenile section. A juvenile cannot be within sight or sound of an adult inmate, continued Mr. Adams, therefore one juvenile can tie up six beds due to the design of the jail.

Local
Facilities

Referring to Local Facilities, Sen. Ray questioned the request for 9 new positions to allow the state to take over and operate the Nome jail. Mr. Adams replied that the contract with Nome was reaching proportions of no difference in cost if the state or the city operated the facility. The Superior Court sits in Nome and offenders can't be moved; therefore, the division had no alternative but to contract with Nome or operate the facility. The state leases the building from GSA and contracts with Nome to operate at present; however, costs have doubled in the past four years. Nome would operate the facility for \$233,000 next year, and Mr. Adams said the state had no lever to hold contract negotiations down. The division would be hit with a suit if they tried to move men out, as the offender must be kept in proximity with the court and his attorney. Sen. Groh said it probably would be better for the state to continue to contract with Nome rather than operate the facility, and Sen. Ray agreed this was the recommendation of the sub-committee.

In discussion of how to reduce costs, Mr. Adams said it would be far cheaper to run one jail rather than maintain facilities in outlying areas. An alternative would be to remove Superior Courts from outlying areas and pass a law for trials in Anchorage, Fairbanks and Juneau with jails in these three locations. This would raise an issue, however, with the Court System on bush justice, concluded Mr. Adams. Sen. Groh stated a bill should be drafted providing for a maximum of four jails in the state, for economy of operation.

Out of
State

Mr. Adams explained prisoners were transferred outside the state for the following reasons: inmate was a management problem; inmate could take advantage of programs not included in Alaskan facilities; inmate wanted to make parole plans outside; or inmate was serving an exceedingly long sentence. Sen. Ray noted the totals on the summary page in the blue budget book were incomplete as they did not include the sub-element Out of State, which should be added for a total Authorized FY 74 of \$5,451,900 and Requested FY 75 \$5,339,100. The sub-committee's recommendation was also to be added for a complete figure.

McLaughlin
Youth
Center

Sen. Ray referred to the McLaughlin Youth Center budget request of \$1,596,300 for FY 75. Mr. Adams explained there were 90 inmates and 104 employees, which Sen. Groh noted amounted to over \$17,000 per year per inmate.

Local
Facilities

Under Local Facilities, Sen. Ray questioned the increase in Contractual Services of \$394,100 for group and foster home placement. Mr. Adams explained the rates have gone up for foster care due to the full cost-of-care provision and the division is

at the mercy of the group home or institution. An ambiguity in the law allowed the courts to place children in facilities in Texas, California and Colorado, and the courts have control over the placement of children. Mr. Adams has requested this authority and the Governor has introduced a bill. Currently a total of 138 children are placed as follows:

Foster homes	55
Private institutions	58
Receiving homes	5
Group homes	20

Costs have increased from \$72 per month per child in 1966-67 to \$1,300 per month per child. Sen. Ray noted the legislature passed the bill providing full cost-of-care, but did not intend this as a blank check to Health & Social Services. Sen. Groh asked if new homes had been opened just to take advantage of this program, to which Mr. Adams replied this was a valid assumption.

The meeting recessed briefly at 2:55 P.M. Senators Butrovich, Lewis and Poland left the meeting.

Out-of-
state
confinement.

Sen. Ray referred to Out-of-State Confinement and questioned the increase of \$200 in Grants for gratuities to children living in poverty-ridden foster homes. Mr. Branton said the state provided allowances for children in foster homes if requested by the foster parents, and would be equivalent to whatever allowance the other children in the home received.

Probation
& Parole
1st Jud.
District

The committee briefly reviewed the Rehabilitation Programs, then referred to Probation & Parole. Under the 1st Judicial District, Sen. Ray questioned the excessive rents. Mr. Adams replied that in Ketchikan they are renting 2nd floor office space which had been increased from \$1,800 per year to \$13,000. The division has complained and they are attempting to have this reduced. The division has cancelled their lease for the Gastineu Liquor Store space as the rent was too high.

2nd Jud.
District

Replying to questions from the committee, Mr. Jones said the rental figure listed for Barrow was a mistake and should be \$2,000. Sen. Ray wondered how they could fit all the new equipment requested in the offices.

3rd Jud.
District

Mr. Jones said the increase was for vehicles, as they were cheaper to buy than to lease from the Highway Department.

Sen. Groh noted the budget request did not coincide with the population and Mr. Branton said figures were not on a per capita basis. Funds were needed where the cases were and where the courts

were; namely Fairbanks, Anchorage and Southeast. Seven new positions were requested in Anchorage, but the Governor only allowed two. Mr. Branton did not have the final evaluation to prove the need for the additional positions.

4th Jud.
District

Sen. Ray referred to the 4th Judicial District and noted the rent in Bethel was excessive.

Pipeline
Impact

Mr. Adams asked if the committee would consider a \$150,000 problem in terms of the pipeline impact budget. The division plans to construct modular units in high impact areas and their concern was that these facilities could not be built if the legislature did not act on the impact budget right now. They want to have time to install the facilities and needed authorization, at least to purchase materials. Mr. Adams asked if Corrections would be eligible for a portion of the \$5 million impact money appropriated during the special session. Sen. Groh said the committee would be working on impact legislation soon.

The meeting recessed at 3:10 P.M.

Sub-Committee on Administration
of Justice Budget

AFTER RECESS
SENATE FINANCE COMMITTEE
February 27, 1974
3:10 p.m.

Present: Senators Groh, Ray, Lewis, Poland

Representative Ose

Commissioner of Public Safety Pat Wellington, Director of State Troopers Colonel M.E. Dankworth, Lauris Parker, Executive Director of Criminal Justice Planning Agency; Vonda Hall, Fiscal Officer; Ron Lind, Budget and Management.

Public
Safety

Senator Ray, Chairman of the Senate Finance sub-committee on Administration of Justice budget, stated that the first item to be reviewed is Public Safety-Prevention of Crime. The sub-committee will be making reference to the "blue book" containing Senator Ray's recommendations and the short form budget analysis prepared by Legislative Affairs.

Prevention of Crime. The budget request is for \$36,500, which represents a \$900 decrease from the FY 74 authorization. The committee voiced no objection to this BRU.

Detachments & C.I.B. Senator Ray recommended upward changes in the blue book in both the Commodities and Equipment line items, noting that he had left out allowance for some more cars needed by the Troopers. Senator Ray thought that Personal Services was a little high.

Senator Groh asked "With a total budget of \$5.6 million under the Governor's budget, will you be able to handle it?" Commissioner Wellington replied that there are no extra police positions in the budget--they will be going at the same level of service. He remarked that in some areas that is not adequate, particularly in the Anchorage area, if they are to do any more there.

Senator Groh asked the Commissioner how many more men he will need. Mr. Wellington replied that they can only handle so many insofar as training is concerned. They would like to have a complement in Anchorage of around 50 people. This means they would need about 18 more uniformed troopers there to bring it up to 50. Colonel Dankworth stated that they have just moved in some new recruits. In the next 60 days, when they move these men out of training, there will be 31 uniformed patrolmen out on the road in the Anchorage area.

Answering Senator Ray, Colonel Dankworth said they figure it costs about \$18,500 to train a trooper and put him in the field. Senator Ray said he thought the cost was about \$22,000.

Referring to Anchorage, Senator Groh remarked that at any given time there are three troopers on a shift to serve a population of approximately 70,000 people outside the city limits. An increase in crime is inevitable. He said the

Anchorage community is divided on the issue of areawide police service. The City of Anchorage has a patrol force of 180 which serves approximately the same population as outside the city limits. He said he thought police protection outside the Anchorage city limits has been inadequate for many years. He felt that we must somehow confront the problem, whether we do it through impact funds or otherwise.

Colonel Dankworth stated that about 20,000 more people are expected in the area in an 18-month period, and he will have to police the area with three men on duty.

Senator Ray asked how many criminal cases are pending in Anchorage. Senator Groh stated that at the "secret" conference it had been reported there were 850 felonies and around 5,000 misdemeanors. Senator Ray estimated that this represents an increase in crime of from 15-20% a year. Senator Ray noted that although crime is increasing, the jail population is going down.

Senator Groh commented that somehow we have to get some extra State troopers in the area, with some understanding that we will phase them out as soon as the area can get its own police force functioning. Senator Ray objected to this, as he felt that police protection should be paid for locally. Senator Groh said he agreed, but is not anxious for people to live in a lawless society.

Senator Poland asked Commissioner Wellington if he had spare troopers. Mr. Wellington replied "absolutely not." Commissioner Wellington noted that a lot of lead time is needed to train troopers--If they had the money to hire them today, it might take until September before they are on the road.

Colonel Dankworth told the committee that he has been advised that the Eagle River people are getting up a petition to fight areawide police in the Anchorage area, because they don't want their millage rate to increase. They will probably form a service district and hire some "night-watchmen" types for their police force. Colonel Dankworth stated that he would rather contract with them than have them go this route. He suggested that the State might hold its police protection to a bare minimum emergency service, rather than provide them with full service, which would have a tendency to make them complacent.

Senator Ray stated that the Department of Public Safety might consider making a proposal to these people that we will give them protection by State troopers for "x" amount of dollars. Commissioner Wellington suggested that this might be accomplished by putting some money in the budget as a programmed receipt against State revenue sharing.

Senator Groh asked how protection will be afforded to other areas around Anchorage, i.e., Sand Lake, Muldoon, etc. Colonel Dankworth replied that if the service district concept goes, and areawide fails, the service districts would contract with the City.

Troopers Headquarters Division. Senator Ray recommended an upward adjustment in the "blue book" for the Commodities line item. He questioned allowing \$10,000 for messengers and stock handlers., suggesting that it be disallowed.

Narcotics Unit. Under contractual, Senator Ray questioned allowing so much money for drug buys, informant payments, etc., noting that "everybody is buying: and the jail population is going down.

Colonel Dankworth explained that in the first six months of FY 74 they have already spent \$90,000; mainly, they are buying information and not drugs. Senator Ray also suggested that some other nomenclature be used for this item. Senator Ray noted that the Governor has recommended 335,000 for this budget, and the department's request is \$350,000.

Civil Section. Senator Ray recommended an upward increase (blue book) in Personal Services. He stated that the Governor's recommendation is \$638.6. This represents an increase of \$132,500 if you consider the \$90,000 in travel money that was taken away and put someplace else.

Referring to page 104 of the short form, Senator Groh noted that the department requested 32 people and the Governor allowed 30. They had requested one Judicial Services Assistant in Fairbanks and four in Anchorage. The Governor's budget allowed one in Fairbanks and two in Anchorage. What were the other ones for? Mr. Wellington explained that the problem in Anchorage is that, with the opening of the new courthouse, the judges have adopted rules concerning who has custody of a prisoner while he is in court. They have insisted that a uniformed trooper or a Judicial Services Assistant escort prisoners to and from court, and remain with him during court. It was the Commissioner's feeling that this function could be satisfactorily performed by Judicial Service Assistants, thus freeing the trooper for other work.

Senator Ray noted that they have requested \$60,000 for emergency guard hire. Could that money be used for this purpose? Mr. Wellington replied that that money relates to hiring someone to go out in the Bush and guard prisoners in outlying areas.

Senator Ray said he did not think it is within the purview of the state troopers to hire jail space. Mr. Wellington agreed with that. He felt the courts should take care of it.

Senator Groh requested that the Commissioner prepare a recommendation in that regard (getting out of jail rentals and the prisoner escort service).and present it to the committee, together with any other recommendations they might have.

Records and Identification. Senator Ray noted that the agency's request is the same as the Governor's recommendation.

Lab Services. Request is same as Governor's recommendation.

Central Communications. Same as Governor's recommendation. Senator Ray noted that the Contractual Services figure may be low. However, after reviewing the red book again, he came out with the same Contractual Services recommendations.

Housing Program. Senator Ray recommended an upward increase in the Commodities line item. He suggested allowing the maintenance man and deleting the accounting clerk I position which can be transferred. He suggested reducing Contractual Services because new items are requested in what appears to be a dissembling of other components. The BRU is requesting general fund monies to supplement what is suppose to be a self-supporting program.

Commissioner Wellington stated that the State Troopers are the only ones in the State that have a self-sustaining housing program going. They are asking for a state subsidy of \$52,000 so they do not have to raise the rent on the troopers. The formula they use is that troopers pay not more than 23% of their salary for rent. They have some 60+ units in the state, and have one maintenance man and one accounting clerk to see that the bills are paid. It doesn't cost the State a dime. It was noted that in many cases, a Trooper will be paying \$300 a month for rent, while a school teacher next door, under a different state-subsidized program, will be paying only \$100 rent.

Senator Poland remarked that this Fall while she was traveling in the Bush she was told that the troopers pay much more than the Fish and Game or Aviation Department people. She felt that we must adopt some uniform system on these rentals.

Senator Groh asked if the administration is going to address this problem. Ron Lind, Department of Budget and Management, stated there is a request for \$100,000 to be appropriated by the Governor's office for a survey of the housing needs, and which would made recommendations for a standard type of housing unit and rental structure. He noted that a desk survey of all agency policies that they did indicated that Public Safety is the only one in which employees pay for the cost of the program. That is the reason the Governor's Budget Review Committee agreed to subsidize this.

Mr. Wellington stated that they had been informed by the Department of Administration two years ago that this uniform policy was in the works.

Office of Commissioner. Senator Ray recommended decreases in the Travel, Contractual, Commodities and Equipment line items. He stated that the original information transmitted to him was not correct and he has had to adjust his recommendations. He noted that his recommendations come out \$200 over the Governor's recommended figure.

Research and Planning. Senator Ray said the only change he has noted, is that he would deny the Communications Engineer position which is pending. Mr. Wellington explained that the department recently transferred money to the Division of Communications to hire an individual who would be responsible for taking care of the needs of the department in their communications.

Training. Senator Ray recommended allowing two new maintenance positions, but not transfer in of Sergeant. Defending the transfer of the Sergeant, Mr. Wellington explained that this position was transferred from Fish and Wildlife Protection to be on the permanent training staff of the Academy--it is not a new position for the department. He noted that they have 180 hours of Fish and Game subjects, plus the position would handle in-service training out in the field. Senator Groh said let's consider that the position may be restored.

Senator Groh said he understands that the department has a \$2.7 million impact budget. He asked Mr. Wellington to run through some of the main points in that budget.

Commissioner Wellington reported that they were authorized 39 positions in the Department, as follows: Fish and Wildlife Protection Officers (6); Drivers Licenses (3); Fire Prevention (0); AST C.I.B. (24); Judicial Services (5), Central Communications (1);

He stated that of the 24 in AST, 18 are commissioned people, and the rest are civilian employees.

Senator Groh invited final comments from the agency people present. Colonel Dankworth called attention to a problem in the Detachments & C.I.B. section. He said there has been a cut of \$55,000 in Communications and it is his hope that the sub-committee will take another look at that, noting that a policeman has two things: a telephone and an automobile. This item appears on page 98 of the short form, code 300, Contractual Services. Senator Ray noted that his recommendation comes pretty close to the agency's request.

Commissioner Wellington emphasized that if the Legislature allows the extra people requested (troopers), the department must have approximately 120 days lead time, both for troopers and for equipment.

Referring to the equipment, Senator Ray felt that they will have enough money to pay about \$70,000 for cars right away. Mr. Wellington replied that they cannot sign a purchase request until they actually have the money.

Recess

The sub-committee recessed at 4:10 p.m.

AFTER RECESS

4:15 p. m.

Present: Senator Groh, Senator Ray and Senator Lewis. From the Criminal Justice Planning Agency, Larry Parker and Dick Pegues; and Ron Lind, Budget and Management, were also present.

ADMINISTRATION
OF JUSTICE

Office of
Governor

Senator Groh called the meeting to order and stated the purpose of the meeting was to review the budget of the Criminal Justice Planning Agency.

Criminal
Justice
Planning

Discussion followed on the makeup of the Criminal Justice Planning Commission. Mr. Parker said there are 11 members of which 4 positions are laymen. He said that Nora Quinn is a Judge but she holds a layman position on the Commission. Senator Ray questioned Mrs. Quinn serving in a layman position saying he felt this position should not be filled by a judge.

Senator Ray suggested that there had been a lot of public criticism on the agency and that the reason might be the manner in which their grants are spent.

Senator Groh stated that there are all kinds of groups assisting in improving the administration of justice. Constitutionally the Judicial Council is charged with this task. However, of all the agencies involved Criminal Justice Planning has the most money. Senator Groh questioned some of the studies the agency has done. He referred to five RP's that have gone through the Budget and Audit Committee. Senator Groh felt some of these grants could be more appropriately spent. He stated the committee had heard testimony from the Division of Corrections indicating if they could build one jail in the State with a capacity of 740 prisoners their cost would go down. Senator Groh said he did not feel the State could afford a jail in every town. They have to start centralizing because the State does not have the money to de-centralize.

Mr. Parker pointed out that Alaska has a very good record of getting "our share" of funds. He stated that the money made available is categorized and not available to Alaska in any other way. He said if it could be used for something else it would be. Senator Lewis pointed out that if receiving this federal money is going to build up the State's cost (to an unreasonable proportion) maybe the State would be better off without it.

Mr. Parker said he had met with the Chiefs of Police in Anchorage and gone over the legislation presently before the legislature. He said they were concerned with the bail situation. They feel it is a real problem and the Judicial Council will make a recommendation on this matter.

Senator Poland entered the meeting.

Senator Groh said that he wished Mr. Parker would consider the question of Reformation of Offenders. He would like the agency to address itself to some of these problems. There is a proposal for the creation of a 5th Judicial District and Senator Groh asked Mr. Parker for a proposal to include his comment on this.

Senator Groh said the Department of Public Safety had told the committee if they had more money to add troopers they could solve some of their problems. Senator Groh said he would like Mr. Parker's views on this. The committee had also been told the prosecutors should be increased in the Anchorage area. Senator Groh said if Mr. Parker had proposed amendments to the statute governing his agency the committee would like to be informed on this also.

In answer to Mr. Parker, Senator Groh stated the minutes of the meetings with the Dept. of Public Safety and the Division of Corrections would be made available to Mr. Parker to assist him in his proposals for the committee.

Adjourn: The meeting adjourned at 4:40 p.m.

SENATE FINANCE COMMITTEE
February 28, 1974
11:05 a. m.

Present: All members except Senator Lewis. Senator Kerttula and F. S. Honsinger, State Veterinarian, were also present.

PUBLIC Senator Groh called the meeting to order and said the
PROTECTION committee would consider the budget for the Agricultural
Dept. of Inspection, Dept. of Natural Resources.
Natural
Resources Dr. Honsinger said there is a small increase in contractual
Agricultural services to have an inspector available during the summer
Inspection months. He said the military provides them with a military
purchasing agent during their produce season and this funding
would provide an inspector for this period.

Senator Poland asked if Dr. Honsinger's agency inspects sea food. Dr. Honsinger said no but noted they had been approached by operators of sea foods to consolidate this function with their meat and poultry inspection.

In answer to Senator Butrovich, Dr. Honsinger stated that they check for quality as well as toxicity.

Senator Sackett asked if meat inspections and restaurant inspections should be combined under one agency. Dr. Honsinger said he did not feel that restaurant inspections should be consolidated with his agency. He did feel that meat, poultry and sea food should be under one program. In answer to Senator Ray, Dr. Honsinger noted that sea food inspection is now under Environmental Health. Senator Ray said the committee should consider combining this. Senator Kerttula added that he had a bill that would do just this. He said it makes a lot of sense to have sea food inspection in this agency.

Elaine Mitchell, Alaska Educational Broadcasting, entered the meeting.

Senator Groh asked what a gaschronograph is and how it is used. Dr. Honsinger explained this machine performs residue sampling in meats and poultry. It is primarily used for ground meat and is a fast way of testing for residues or additives.

DEVELOPMENT

Natural Resources Dr. Honsinger said that the Small Grain
Economic Development Incentive program was started in 1968.
Agricultural Development

The first four years were funded at 80.0. This year the Governor's Request is 40.0. Dr. Honsinger stated the program was a 7 year program and will phase itself out.

Dr. Honsinger stated that the Governor's Request is 79.2 for the Agricultural Loan Fund. He said this program pays its own way. They are requesting an additional 200.0 for capitalization for this program.

State
Fairs

Dr. Honsinger said this past year they had 150.0 appropriated and paid out 104.5. He stated that they have a capitalization program.

In answer to Senator Palmer, Dr. Honsinger said the fairs have to meet statutory requirements. Senator Palmer asked which fairs listed (in the budget) received funds last year. Dr. Honsinger said Anchorage Fur Rendezvous, Anchorage 4H, the Plamer fair, Fairbanks, Ninilchik, Kodiak, Haines, 4H fair in Juneau and the 4H fair in Wrangell all recieved funds.

Joe LaRocca, news reporter, entered the meeting.

Plant
Materials
Center

Dr. Honsinger said they are about two years ahead of schedule on the Plant Materials Center. He said he had a revised request for 75.0 for construction of a seed cleaning building. They have seed cleaning equipment and have to either adapt one of their existing buildings for this or advance the construction of a new building.

Admin.
& Support

Dr. Honsinger stated that one-half of one clerical position had been transferred to the Agricultural Loan Fund program.

Joe LaRocca left the meeting.

Senator Lewis entered the meeting.

The committee discussed the reindeer industry. Senator Kerttula felt this entire program should be under Dr. Honsinger.

Dr. Honsinger said he felt his budget was very realistic. He said their agency had received criticism from the federal government because the agency handles both regulation and loans. Dr. Honsinger stated they may be looking at the possibility of a massive food inspection program and they are going to need a lot more manpower. The federal government is passing more laws which may result in a lot of the smaller packers going out of business.

Reces:

Senator Groh thanked Dr. Honsinger for his presentation and the meeting adjourned at 11:45 a.m.

SENATE FINANCE COMMITTEE

February 28, 1974

1:30 p.m.

Present: Senators Groh, Ray, Poland

Stanley Howitt, Consumer Protection Division of the Attorney General's Office; Robert F. Schroeder, Legal Administrator Attorney General's Office.

Mary Pat Murphy, Associated Press

Consumer Protection BRU Senator Groh called the meeting to order and announced that the sub-committee will be reviewing the Consumer Protection budget at this meeting.

Senator Groh stated that the agency has requested a 94.9% increase in its budget. He asked Mr. Howitt to present his justification for this request, remarking that "we don't usually give 94% increases."

Mr. Howitt started out by reporting that the Anchorage staff consists of an attorney, an associate attorney and one secretary, and the secretary is quite overworked. The Juneau staff consists of an Assistant Attorney General and a full-time secretary.

Mr. Howitt then gave some statewide figures concerning contacts made, complaints received and money and goods restored to consumers. In January 1974 (statewide) there were 466 contacts. From the beginning of the fiscal year until January 1974, there were 3706 contacts statewide. He stated that restitution of \$79,654.18 has been made to consumers. Since their inception, they've had over 6176 contacts in the Consumer Protection office.

Mr. Howitt stated that Fairbanks does not actually have an office per se, but there is someone who does the legwork. In Fairbanks to date, there have been 1659 contacts, and they have recovered about \$26,000 in goods or services.

Mr. Howitt noted that most of the improper business practices have been corrected by voluntary action, after the business has been contacted by the agency. In some cases they have brought court action; but they have attempted not to go the route of litigation, preferring to get voluntary compliance.

Mr. Howitt explained some of the agency's accomplishments and involvements in consumer complaints. He said they have been involved with outside firms in making sure that they deliver the goods, that they have Alaska business licenses, etc. They have also corrected many advertising spiels, have been involved in investigating fraudulent mail solicitations, etc.

Mr. Howitt remarked that the budget request is a "bare bones" request, and he personally thought it is inadequate. Their budget request includes a full time attorney, a special assistant and a secretary in Fairbanks. In Southeast, they are asking for an investigator. Currently, in Southeast, there is only one Assistant AG and no investigator--no one to go out in the field.

Mr. Howitt emphasized that we are talking about "economic crimes." He said they are seeing a slow trend toward fraudulent franchise operations coming into Alaska. He cited the case of a vending machine outfit, which is now in bankruptcy, who sold poorly built machines for abnormally high prices, and a debt consolidation service that started up in Anchorage, unknown to regulatory officials. He stated that the agency works very closely with other states, Alaska agencies, and even the business community and the chambers of commerce.

Mr. Howitt said in many cases the agency is able to cause restitution to be made to the consumers. Some of the swindle operations he described were: figure salons, "switched" car motors, pre-fabricated homes, pyramid sales, etc.

Mr. Howitt said there are indications that they will have to expand the agency's operations into the Bush areas, particularly since the Native Claims Settlement.

Responding to Senator Groh, Mr. Howitt said in Fairbanks, an Assistant AG is doing the agency's work on a time-available basis.

Senator Groh cited information that the staff has dug out from a 1973 report, which indicated that Alaska spends \$11 per capita for consumer protection, as compared with an average of \$2 per capita for states such as California, Washington, Oregon. That is 5 times as much.

Senator Groh felt that with an attorney in Juneau who handles only consumer protection, it seems that the necessity of his needing an investigator is remote. Mr. Howitt felt it was quite difficult, because there is a lot of follow-through to do on the cases. He said there is only one attorney for 50,000 population in Southeast Alaska.

It was pointed out that there are 64 people in the AG's office. Senator Ray felt that the agency should limit its activities to determining whether or not there is cause for prosecution, and then turn the whole matter over to the AG's office. He did not feel the agency should have to involve itself with follow-up, etc.

Responding to Senator Groh's question as to why the State police force can't involve itself in unfair trade practices, Mr. Howitt stated that there is a provision in the Act precludes their involvement. However, HB 543 in the Legislature now presents an amendment to the Act which would allow such involvement.

Senator Groh asked Mr. Howitt to explain why he needed the extra people in Fairbanks, since they have been getting along with an Assistant AG up until now.

Mr. Howitt replied that because of pipeline impact, they predict a 30% increase in the area, and they are talking about more serious economic crimes. He stated that the Alaskan people are gullible and susceptible to this type of crime.

Mr. Howitt stressed what he felt is the difference between an attorney and an investigator, in order to justify the agency's need for investigators. In this respect, Senator Ray remarked that if we change the law, as mentioned by Mr. Howitt, the State Police can make the investigations. Mr. Howitt remarked that might be possible if the C.I.B. staff was enlarged.

Senator Groh questioned how many actual complaints, as opposed to "initial contacts" were filed in the Consumer Protection Office the last fiscal year. Mr. Howitt stated that there were roughly about 300 complaints filed in Anchorage, and about 952 total (statewide) during FY 73.

Mr. Howitt told the committee that the agency attempts to mediate and change incorrect business practices instead of taking cases to court. He said they are not out to harass the business community, but are trying to be fair to both the consumer and businesses. Senator Ray remarked that it seemed that Consumer Protection has their own "rehabilitation" unit.

Referring to a bill that Senator Sackett had introduced which would require licensing of automobile mechanics, Senator Poland asked if the agency's jurisdiction would extend into that area. Mr. Howitt stated that it would insofar as any prosecution of offenses is concerned; however, right now there is an exemption in the Unfair Trade Act that must be removed (HB 543 addresses that).

Answering Senator Groh's inquiry concerning priority of hiring more people in Consumer Protection versus the AG's office or the State troopers, Mr. Howitt replied that he is very much for hiring additional AG's and troopers; however, he thought a couple of more people should be put into Consumer Protection, as the need is really there. He added that the agency could not live with a 50% increase (instead of the 94.9% requested). He said when the agency loses its credibility, it might as well throw in the towel.

Senator Groh invited final comments from Mr. Howitt. Mr. Howitt closed with the statement that there is really a need in this area. He urged committee members to visit his office in Anchorage to see what type of work they are doing.

Recess

The committee recessed at 2:20 p.m.

AFTER RECESS

Present: Senators Groh, Ray, Poland

James P. Doogan, Director, Alcoholic Beverage Control Board

Mary Pat Murphy, Associated Press

ABC
Board

Senator Groh called the meeting to order and announced that the committee will review the ABC Board budget request at this meeting.

Senator Groh opened with the statement that the Board's FY 74 budget was \$203,000, and the Governor approved \$282,000 this year, which is an increase of 38.5%. Current staff of the board consists of Mr. Doogan, 4 investigators in Anchorage, a Document Processing Clerk, a Secretary, and 1 investigator in Fairbanks, for a total staff of 8 positions. Mr. Doogan's BRU requested 5 new positions (2 clerk typists, a Records & Licensing Supervisor and two investigators).

Mr. Doogan's justification for the new position requests was made on the basis of added paperwork which resulted when the State passed a law requiring all applications to go to the ABC Board instead of the cities first. As a result, the paperwork almost tripled. Every application that comes in must be processed by the Board and paperwork distributed to a variety of other agencies: police, city councils, etc. Senator Ray suggested that the problem might be with the forms. Perhaps they could be made more efficient.

Mr. Doogan explained that the ABC staff has remained static for several years, even though the board has requested additional staff each year, particularly in the office. He explained that there are only two women in the office and investigators are tied down with paperwork when they should be out in the field. He asked that the committee respect the priority set out in his request (i.e., that office clerical help be the first priority) if it is not going to recommend approval of the entire request.

Senator Groh cited statistics which indicated that the number of applications to the ABC Board has not substantially increased, nor the number of licenses issued or inspections made. Mr. Doogan pointed out that investigations used to be fairly routine and simple, and did not really mean anything; however, the inspections they are now making are concerned primarily with surveillance. Senator Groh noted that the number of convictions for violation of the alcoholic beverage laws in 1973 was only 12; and it has been estimated that these figures will not rise very much in future years (14 in 1974; 16 in 1975).