Senator Groh questioned what the investigators will be doing. Mr. Doogan replied that right now there is very little being done by the investigators. He said he did not propose an impact budget and does not propose to do so; however, he needs more office staff. If the office is staffed properly, the investigators will be able to get out in the field.

Senator Groh stated that the investigators only produce one conviction a month. Mr. Doogan replied that they are not in the business of producing convictions.

Senator Poland remarked stated that a committee she is on has had hearings with Mr. Doogan and his entire staff and the problem appears to be that the paperwork keeps the investigators in the office so much that they cannot get into the field. She thought there is a great deal of merit in their complaint. She said although they are not out for convictions, they can get the places to keep their standards up to State requirements.

Senator Ray said that out of 1300 licensees, there are probably only 200 annually that there will be problems with. Senator Ray felt the problem is that the Board (not Mr. Doogan) has not taken responsibility it is supposed to. They are supposed to promulgate regulations. He felt that the problem started when the Board was dissembled and made a regional operation, which lessened its effectiveness as an enforcement vehicle. He stated that there have been occasions where there have been as many as three violations in a district where a board member resides, and there were no closures, whereas, there were closures for less serious violations in some other area.

Senator Groh noted there were 8 closures in 1973 and 8 projected for 1974. Mr. Doogan replied that right now there are about 20 to 25 licenses that are in a position where they could be closed for ten days, but the Board must wait until the Supreme Court case is settled to see if the closures will be allowed.

Mr. Doogan stated that the Board is not an enforcement agency. They are supposed to get licensees to comply with the law. He said the problem is that there is a rapid turn-over in ownership of the establishments; therefore there is a great deal of education work that needs to be done to keep these people versed on the laws governing their businesses.

Senator Ray repeated his belief that when the ABC Board was moved to Anchorage and changed to area representation, we lost the viability of a close-knit organization. Senator Poland thought we should give a good look at this because the ABC Board took a lot of unwarranted criticism this Summer, and she felt they are having a bad time trying to function under the set-up they have right now.

Senator Ray said he thinks Mr. Doogan needs the Clerk positions, and the Document Processing Supervisor, but he would not support hiring any more investigators right now.

Recess — The committee recessed at 2:50 p.m.

AFTER RECESS

Present: Senators Groh, Lewis.

Representative Meekins

Jorge Hix, Director of Occupational Safety and Health Division; J. A. Witt, Deputy Commissioner of Labor; Boyd Karrer, Voluntary Compliance.

Mary Pat Murphy, Associated Press

OSHA BRU

Senator Groh called the meeting to order and announced that committee will discuss the OSHA budget request. Senator Groh remarked that the Governor had recommended a $1.649 budget for this division. Senator Groh stated that the division's request is for a 19.8% increase--about half of the budget is funded by federal money. Senator Groh also noted that the department was just recently started (1973 Legislature), in an effort to have full State compliance with federal requirements.

Mr. Hix outlined some of the "pretty normal" problems the division has experience in getting started, i.e., recruitment, training, federal red tape, paperwork.

The Legislative Finance staff had prepared a memorandum which indicated that the department's FY 75 budget request is "virtually worthless." For example, it stated that the Deputy Commissioner of Labor had said there were 43 positions presently existing and that the three new positions requested would bring the total to 46, whereas the OSHA BRU shows 53 existing positions (the personal services dollar request is for 56 positions, not 46).

A discussion concerning the number of authorized personnel, and the number actually employed, followed. Mr. Hix said he thought he had 53 authorized positions and was fully staffed, except for some clerical positions.

Answering Senator Groh, Mr. Hix said the department has been operating under a Federal budget (23-G), and have been remaining within the limits of that budget. However, he had neglected to bring that budget with him.

The committee discussed the equipment request of $83,000, which Mr. Hix said was equipment needed by the safety inspectors for a laboratory in connection with the industrial health part of the program. They are going 50-50 with the Department of Health and Social Services on that.

Answering Senator Lewis, Mr. Hix said the lab to be used is the State laboratory in Anchorage--the equipment will go into that laboratory. In answer to Senator Groh, Mr. Hix said the problem that arises in having the lab work done commercially is "aging". All the commercial outfits are in the South 48.

Mr. Hix explained to Senator Lewis that the laboratory is for the Industrial Health Section of the division. They deal primarily in taking samples of materials being used (gases, etc.) and breaking them down chemically to figure out exactly what they area. He said they have found out that what the federal people have originally requested could be reduced quite a bit.

Responding to Rep. Meekin's question, Mr. Hix stated that the department was granted federal approval of its funding on October 3. He had hired some people before October 3; however, he had been holding down on the level of the operation and expenses. 18-B is the code for the federal agreement that the department must live up to (guidelines).

Rep. Meekins questioned whether the funding of this program lasts for two years. Mr. Hix replied that they must submit a budget each year; however, they figure the next year's approval will be more or less automatic. Rep. Meekins asked whether the funds will lapse, and whether the program was funded for a full year? Mr. Hix replied that when the State passed the act, they funded the department for the full year. What will happen is that we will not get as much from the federal government as we would have had we got them to come through with the agreement by July 1.

Rep. Meekins asked "How much state money will lapse back? Mr. Hix replied "I intend to stay under the budget, but we anticipate using most of it."

Rep.Meekins asked Mr. Hix to explain where the money will be used. He stated that is one-third of the budget request. He said the general fund budget request was not used for what was originally intended because the program was not operational until October 3. It seemed to Rep. Meekins that it should lapse over to the 1974 budget request.

Mr. Hix replied that they got permission from the Budget Review Committee to spend money to keep the staff they had on until they got final federal approval (October 3). He said the overall budget will be less than they anticipated, but they anticipated spending about all of it.

Rep. Meekins asked what increase in the service provided is required under the federal agreement between this and the next year. Mr. Hix replied that regulations provide that they must have an Industrial Health Section operational. In this section, there is one authorized Industrial Hygenist (currently vacant) and they have asked for one more position to bring them up to requirements.

Senator Groh stated that Form 11A, page 100, indicates that there are five people presently authorized in the Industrial Health section. Mr. Hix said there are no people presently working in that section. His request of $173,000 is to get that program running.

Referring to the Compliance Section (Research and Analysis), Mr. Hix stated that this has been funded prior to this time on a 100% federal basis; then it went to 90-10%, and we will now have to match 50-50.

Senator Groh requested that the committee resolve the issues in this budget at another time when more information is available. He requested that Mr. Hix provide the committee with information on the number of people employed and authorized; the amount of federal money received; amount of State money that has been spent; amount of money that will be able to lapse into the General Fund. He also requested that Mr. Hix furnish a copy of the 23-G federal budget he has operated under.

Rep. Meekins wanted information on how the money is being allocated; what increase in service we can expect from the same level of appropriation, since the people on the payroll are now completing their training and presumably will be more free to do inspection work; and a synopsis of the federal agreements concerning this program.

Senator Groh thanked Mr. Hix for his presentation and told him the committee will schedule another meeting with him at an early date.

Adjourn — The committee adjourned at 3:42 p.m.

SENATE FINANCE COMMITTEE
March 1, 1974
10:35 a. m.

Present: All members except Senator Lewis and Senator Sackett. Larry Eppenbach and Dick Alexander, Dept. of Revenue, were also present.

CSHB 253 (Judiciary) am

Senator Groh called the meeting to order and said the committee would consider COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 253 (Judiciary) am (an act relating to the investment of surplus retirement fund money).

Mr. Eppenbach explained that this legislation will provide his department with additional mortgage purchasing authority. He said they plan to exercise this authority in the best interest of the retirement fund. Senator Groh said as he understood the legislation it would give the Department of Revenue the flexibility of buying mortgages if they yield a good return.

Senator Ray referred to page 3, line 20, which reads:

"(11) notes secured by mortgages of commercial or residential real estate or other security if the mortgages are insured by a corporation which is authorized to do business in Alaska and has combined capital, surplus and reserves aggregating at least $20,000,000."

Senator Ray asked if this would preclude businesses (of under $20,000,000) from doing business in Alaska. Mr. Eppenbach stated that the two major companies that do business with the State would qualify.

Senator Ray questioned page 3, line 24, which reads:

"(12) conventional residential mortgages if the originating financial institution retains at least 25 per cent of the mortgage for a minimum of two years."

Senator Groh explained this section would eliminate the originating institution from "dumping loans on the State."

Senator Groh explained that the banks are capital short. By the State purchasing mortgages it will enable the banks to get a maximum number of loans on the book. Senator Palmer pointed out that the more times a bank buys a mortgages the more funds they will receive (closing costs, etc.).

Senator Palmer questioned how the banks retaining 25% of the loans would protect the State. Mr. Eppenbach said they are asking the banks to share the risk. He added that section 2, item 3 requires that the State will not purchase any loan after 90 days of origination. Another section provides if a certain amount of the loans are delinquent the State will not buy any.

Senator Groh asked who services the loans if they default. Mr. Eppenbach said the banks would. Senator Groh said they could buy these loans with recourse provisions. Mr. Alexander said they did not feel this made much difference -- out of $30 million in mortgages they have not lost over $1,000.

Senator Ray compared the original bill with the Committee Substitute. He asked why (12), (13) and (14) were added. Mr. Eppenbach stated that (14) and (15) came about because of the passage of time since the original legislation was introduced. He stated that they had hadded (12) during their testimony before the House State Affairs Committee last year and (13) had been added before the Judicial Committee this year. In answer to Senator Groh, Mr. Eppenbach stated that (g) on page 4 of the Committee Substitute had been added on the floor of the House. He said he believed this section related to the City of Anchorage retirement fund. Senator Groh asked about the wording "fair market value" in this section. Mr. Eppenbach stated that he believed the value of this portfolio is always at fair market value. He said this brings up the question of mortgage accounting and noted their system is in need of an overhaul.

Senator Palmer said he would like to have accounting on a monthly basis on the rate of earnings on the two retirement systems (PERS and Teachers').

A motion was made that CSHB 253 (Judiciary) am pass from committee with a do pass recommendation. No objection, so ordered. (All members present signed do pass.)

Senator Groh thanked Mr. Eppenbach and Mr. Alexander for their testimony and they left the meeting.

The committee then discussed a bill which had not been introduced. It was entitled "An Act relating to municipal property taxing powers." Senator Groh explained this legislation related to the letter of intent regarding the North Slope Borough that had been passed during the Special Session. The letter of intent referred to the North Slope Borough bonding itself on the ad valorem tax.

After a brief discussion, Senator Ray moved and asked unanimous consent that this bill be introduced as a Finance Committee bill. No objection, so ordered.

The committee then discussed another bill which had not been introduced. The bill was entitled "An Act relating to municipal property tax exclusion." After a brief discussion, Senator Palmer was requested to investigate this legislation so the committee could discuss it some time in the near future.

Recess: The meeting recessed at 11:15 a.m.

AFTER RECESS
1:40 p. m.

Present: Senator Groh and Senator Palmer.

From the Department of Military Affairs, Russell Anderson, Lois Richardson, Col. William Sharrow, Floyd Johnson, and Don Lowell. Ron Lind and Mike Clements, Budget & Management, and Mary Pat Murphy, AP, were also present.

PUBLIC PROTECTION
Dept. of Military Affairs

Senator Groh called the meeting to order and said the committee would consider the budget for the Department of Military Affairs.

Civil Air Patrol

Mr. Russell Anderson, Civil Air Patrol, stated that they have some outstanding bills. They have $11.0 to pay off for a hangar at Fairbanks. Next year they should be able to stay within the budget.

Mr. Anderson said that for the last few years they have requested funds for a hangar at Kotzebue and one at Palmer. He said the hangar at Kotzebue is more important than any place in the State. He pointed out the winters are very severe and there is a real need for a hangar at Kotzebue. He added this request is in the capital budget.
Senator Palmer referred to the decrease of fuel cost by $1.1 in commodities. He asked how this could be done in view of the rising fuel cost. Mrs. Richardson said this fuel is for hangars. 1973 was the first year they had operated and did not have an experience factor on the amount.

Alaska Disaster Office

Mr. Lowell, Alaska Disaster Office, told the committee that the Governor allowed a Maintenance Mechanic I. He said they took over a building from the Department of Highways (in Anchorage) and this position will be used for janitorial and maintenance services.

Senator Groh noted that the Clerk Typist II in Juneau had been disallowed. Mr. Lowell said they really need this position. This office is a two man office and they are presently receiving clerical help from the Criminal Justice Planning Agency. This agency will be moving and the two men in the Disaster Office will have to do their own typing and man the phones. He said as the two men do a lot of traveling they really need somebody to take care of the regular office routine.

Mr. Lowell said they had also requested a full time Supply Officer. This position had been disallowed by the Governor's Budget Review Committee. Mr. Lowell said they need this position in order to supply other state agencies with additional surplus and access property.

Senator Palmer pointed out that the Clerk Typist II in Juneau that had been disallowed would required $4.2 in general funds.

In the administration portion of his budget, Mr. Lowell said that their request was $267.0 and the Governor's Request is $153.0. He stated that a $100.0 piece of equipment had been deleted from this budget and placed in the budget for the Division of Communications.

Mr. Lowell said he had requested two automobiles and one pick-up truck. These were deleted by the Governor. He said they presently have two cars to support their entire office and this is not sufficient to do their job. In answer to Senator Groh, Mr. Lowell said these cars were to be purchased and turned over to the Dept. of Highways motor pool.

Mr. Lowell said he would like to see the equipment for office furniture increased by $1,500. He said the second man in his office is using a surplus secretarial desk and some of their typewriters are very old. He pointed out that an increase would be matchable by federal funds.

Senator Palmer asked how effective the Flood Control program is. Mr. Lowell said the cost was less than they had calculated for last year. He said they had requested approval to use the balance to purchase sand loading equipment that could be left at Bethel and Galena. He said they have a problem in transporting these vehicles.

Mr. Lowell said the building that they are in in Anchorage was condemned during the earthquake. The facility does not meet the State Fire Marshall's standards. He said the cost for a new facility would be 640.0 in state funds and 590.0 in federal.

Recess: The committee recessed at 2:05 p.m.

AFTER RECESS
2:15 p. m.

Military Preparedness: Senator Groh noted that last year the authorized was $1.4 million for the Alaska National Guard. This year the agency requested $2.1 million and the Governor allowed $1.9.

Alaska National Guard Office of Adj. General OP & Train/ Army & Navy

Colonel Sharrow noted that there has been a revision of some of their program. Senator Groh added that the revision pertains to page 80 (of the shortform). He stated the Governor is recommending 33.0. Colonel Sharrow stated that the intent is to use funds out of this cateogry to support two other positions required (custodians for the Nome and Sitka armories). In the past this work had been done by federal employees and some positions had also been provided by PEP.

Colonel Sharrow said under Executive Administration they really need the Assistant Adj. General-Army position. (The Governor had allowed this position but disallowed the Assistant Adj. General-Air). Colonel Sharrow said at the present time he is serving in two capacities -- one as Chief of Staff and the other Acting Adj. General-Army. He said this is "a hell of a burden." It is hard to effectively control this as the Army Guard is scattered all over the state. He said there is a serious need for the Army position.

State Armories

The revised budget showed a total of 221.5 for State Armories. Mrs. Richardson said that 35.0 had been cut from contractual services and had not been changed in the revised budget. They were requesting that 7.0 be restored. She said the Kenai armory is using three times more electricity than they planned. They had budgeted based on another armory and this did not work out as the Kenai armory is used constantly. Senator Palmer noted that the agency had requested 115.8 for contractual services. He asked if this could not be reduced because the revised budget allowed custodial workers at Sitka and Nome (20.4 in personal services). Mrs. Richardson agreed it could be reduced by 19.5.

Senator Groh stated that two Revised Programs had been submitted to the Budget and Audit Committee for additional funds for armories. Mrs. Richardson stated that these funds were for federal armories.

Federal Armories

Senator Groh noted that the new position requested in Federal Armories had been approved. The Governor's request is 415.7 of which 405.6 is federal funding.

Recruiting & Retention

Senator Palmer noted that contractual services had been reduced by the Governor (agency request 9.4; Governor's recommendation 1.6). Colonel Sharrow stated that they need additional office space in this program. There are five employees in a very small office and conditions are very bad.

Organized Militia Benefits

Colonel Sharrow noted that the large increase (75.6) in this program is due to the increased number of reenlistments and retirements during the past year. He said that Congress has legislation on this and if it is adopted they will phase the State out of this program. The Committee discussed the retirement program. Colonel Sharrow stated in order to qualify for $50 a month for 20 years an individual would have to have 20 years of service at age 55. He stated that the reenlistment bonus is going to fluctuate according to range.

Col. Simmich stated that they had initially requested 75.0 in the State Armories commodities portion. On the advise of Budget and Management this had been transferred to the capital improvement budget. He said this is required to complete about 20 different major problems at the armories during FY 75. He added that the Department would appreciate as much consideration as possible for these armories.

Recess:

Senator Groh thanked the Department for their testimony and the meeting recessed at 2:45 p.m.

AFTER RECESS
3:00 p.m.

Present: Senators Groh, Palmer

Public Safety Commissioner Pat Wellington, State Fire Marshall Ron Hendrie; Vonda Hall, Fiscal Officer

Senator Groh called the meeting to order and announced that the committee will now review the Fire Safety portion of the Public Protection budget.

Fire Safety

Responding to questions from Senators Groh and Palmer, State Fire Marshall Hendrie provided the following information concerning his department and its functions. He said his division performs fire prevention inspections for all cities in the state, with the exception of Anchorage and Fairbanks, which have their own. The cities are not charged for this service. Mr. Hendrie said he has a total staff of seven. He said his department performs plan checks on all public buildings, and has permission to review anything larger than a four-plex that is not a public building. He stated that he does not have enough personnel to adequately perform the duties of the division.

Answering Senator Groh, Mr. Hendrie said cities are not charged for this service because they have never been able to provide all the service that is required of a State Fire Marshall's office. No fee schedule has ever been set up.

Mr. Hendrie thought these inspections are important since they do catch a number of things (relating to fire safety) in the preliminary stages and the architect does incorporate these items into his plans.

Senator Palmer wanted to know if Mr. Hendrie thought we should require the cities receiving this service to employ an inspector to follow through. Mr. Hendrie replied that he felt that is a reasonable request; however, some of the smaller cities do not have building inspectors.

Senator Groh remarked that what started as a Fire Safety office has developed into a plan check/building inspector service for everybody except Anchorage and Fairbanks. Mr. Hendrie replied that 90% of the building code is based on fire prevention, so it is a necessary service.

Justifying his request for new personnel, Mr. Herdrie stated that each Regional Fire Marshall must do plan reviews now, thus taking away from his other duties. The personnel he is requesting will be located in Juneau, Anchorage and Fairbanks.

Recess

Senator Groh thanked Mr. Hendrie for his presentation, and the meeting recessed at 3:05 p.m.

AFTER RECESS
3:05 p.m.

Present: Senators Groh, Palmer

Public Safety Commissioner Pat Wellington, Lt. Harry McLaughlin, Vona Hall, Fiscal Officer.

Drivers Licensing

Senator Groh called the meeting to order and stated that the committee will now review the Driver Licensing section of the Public Protection budget. He noted that the division has requested $433,000 and the Governor had recommended $424,000. There are 25 people in the department now and the Governor had recommended 26.

Senator Palmer asked if a lot of the work was being done by computers now; and if so, whether this will affect the personnel requirements. Commissioner Wellington stated that almost all the division's records having to do with drivers licensing is in the computer now. He felt personnel requirements will stay about the same. He said last year they opened up a large number of stations throughout the State to sell licenses, where there had been none before, and a lot more paperwork is being generated. He did not feel they would be able to decrease the staff.

Answering Senator Groh, Mr. Wellington said they do spend a lof of time providing information to companies concerning past driving records of individuals. They currently charge $1.00 for each request, and have about 50,000 requests a year. The statute requires that they provide all the information on a person's record upon request. Mr. Wellington did not feel it is fair to the individual to provide all the information, since, in many instances, a person might have been proved innocent of a violation, but the charge would still appear on his record. He said he would rather just provide information of convictions. He stated that Senator Rader and Representative Huber have each introduced bills which would correct this.

Senator Groh noted that the cost of sending a letter is approximately $3.70. He felt the Commissioner should consider raising the fee for providing information. Mr. Wellington stated that the fee is set by statute. Senator Groh asked Commissioner Wellington to provide the committee with a suggested amendment to that statute, so that this service can be made self-sustaining.

Responding to Senator Palmer's question concerning the Polaroid cameras, Mr. Wellington explained that they have a contract with Polaroid. The department pays Polaroid a flat fee for each picture (about 57 cents ea.) and Polaroid provides all the equipment and film.

Drivers License Suspension Hearings: Senator Groh noted that last year the department planned 500 hearings and had only 28. Commissioner Wellington explained that the problem is that last year when the Legislature was talking about no-fault insurance, they said if it passed, no money would be needed for hearings. However, the bill did not pass and the Governor did not provide any money for any hearings. He said there are no longer holding any hearings. He said they are still struggling to keep processing the people who are covered under the financial responsibility section of the code.

Senator Palmer noted there is a new position request for a Clerk Typist at $8400.

Project Coord.: Senator Groh noted that the budget request was for $58,600, and the Governor recommended $58,600.

This BRU administers and receives federal funds for the State share of the Traffic Safety Fund.

Commissioner Wellington stated that if we do not have an approved Highway Safety Program, then the federal government cuts highway construction funds given to the State. The State gets about $9 million in highway construction funds. Mr. Wellington noted that that the amount in this budget request is the State's match of Federal Highway Safety funds. We get about $380,000 under that program.

Senator Groh asked if Mr. Wellington would support mandatory seat belt legislation, to which the Commissioner replied "no."

Traffic Safety Projects: Senator Groh noted that the $336,000 budget request is all federal money. Commissioner Wellington stated that by federal law, 40% of this money must be passed on to cities.

Senator Palmer asked Mr. Wellington to justify the new position request for an Administrative Assistant II. Commissioner Wellington stated that this man is on board, as he was covered under a PEP position last year.

Debt Service: No discussion. $75,400 requested and $75,400 recommended by Governor.

Responding to Senator Groh, Commissioner Wellington said he had no closing comments.

Adjourn: The committee adjourned at 3:15 p.m.

SENATE FINANCE COMMITTEE
March 4, 1974
2:55 p.m.

Present: Senators Groh, Palmer, Lewis, Sackett, Butrovich, Poland, Ray (arrived 3:05 p.m.).

Commissioner of Economic Development Irene Ryan, Deputy Commissioner of Economic Development Cameron Edmondson; Guy Russo, Director, Division of Tourism; Richard Eakins, Director of Economic Enterprise; Myrton R. Charney, Director, Division of Budget and Management.

DEVELOPMENT

Division of Tourism - BRU

Senator Lewis asked if Commissioner Ryan thought that tourism might be the first industry to suffer as a result of the energy crises. Mrs. Ryan replied that indications are that federal officials consider it as important to allocate fuel to the tourism industry as to many others. Although it may be impacted somewhat, there will be an effort to see that it is not too severely impacted. Mrs. Ryan stated that the family traveler-type travel will be most severely impacted. She stated that the department, at the instructions of the Legislature last year, cut out their advertising for camper travel and have stressed the other areas of tourism for the time being. She noted that they expect more tourists from Canada, as Canadians seem to have more gasoline available.

Economic Enterprise BRU

Senator Groh noted that the department requested $568.6 and the Governor recommended $518.6 for this budget, and there are 13 employees in the division.

Commissioner Ryan reported that last year they stressed the necessity to establish a full statistical research department within the division. They hired a principal economist and their program has been launched. She said the department has received many congratulations from the public, particularly from business and industry, concerning their publications. She said the budget is a "maintenance program" except for two additions they have requested. She asked Richard Eakins, Director of the division, to give a program rundown.

Mr. Eakins reported that the department has requested $35,000 increase in their budget for a program to bring energy systems into remote villages. He said this past year they have been successful in working with the North Slope Borough and the University of Alaska in bring a windmill system into a village that will generate energy for the village. He said they hope to expand this into other villages where it is practical and cheap. They have looked at other types of systems such as utilizing coal to generate electricity. He said they have had immediate success with this program and intend to use the money for prototype operations in other villages.

A second program for which they received $9,000 increase in the budget is for research--to continue expanding their capabilities in gathering data. He said they now have a handle on the petroleum industry and are hopeful they will be able to do the same in tourism.

Senator Groh noted that we are referring to page 275 of the "red book." There is $176,000 in consultant fees and services which is a part of this budget. $31,000 would be for a study on energy development for Bush communities; $43,000 is for a study of mining as an economic base for Northwest America; $8,000 is for a Statewide information system, and $94,000 is for predator control.

Reindeer Program

Mr. Eakins noted that the mining program was eliminated from the request. Mr. Eakins stated that $78,000 is for a reindeer program which is to provide a study of how to get the reindeer industry to meet its economic potential.

Mr. Eakins said additional Legislation has been proposed to create a reindeer policy board. They are requesting $100,000 to continue the program for next year. He said a special report was submitted to the House Finance Committee on the reindeer industry and its problems, and what the department feels is a solution. Also included in the report is a request for the $100,000, and the reindeer policy legislation.

Mr. Eakins went on to say that the department feels the reindeer industry in Alaska has a tremendous economic potential. It can provide an economic base for rural Alaska. He stated that they have identified a market for reindeer meat of between 2 to 3 million pounds annually.

Mr. Eakins stated that the State has not put any money into the reindeer industry. Prior to this time it has been a BIA effort. $78,000, to his knowledge, is the first real State input of money into this program.

Senator Groh noted that the report Mr. Eakins referred to indicates there is a great deal of controversy among the herders and people involved in the industry. Will this appropriation resolve that situation? Mr. Eakins felt it would because now they have the cooperation of the native corporations. The native corporations have indicated they would be willing to put their own money into the industry. He said the report recommended that there ought to be a two to three year period, and if the program doesn't work out, open the industry up to anyone in private enterprise who wants to get involved.

Answering Senator Palmer's question concerning the price for which they could sell the meat, Mr. Eakins stated that their overseas inquiries indicated that those markets would be willing to buy the meat at any price.

Responding to Senator Palmer's question (What does $94.0 do?), Mr. Eakins said it would be used to provide management technology necessary to upgrade the industry to compete as a business operation. They could obtain this "technology" from the U. S. Department of Agriculture, University of Alaska, and private firms on the West Coast. He noted that up to this point, the native has run the reindeer industry on a subsistence basis, not a business basis.

Reindeer Program (continued)

Answering Senator Groh, Mr. Eakins said the owners of the herds will be making the profit from the sale of the meat. Mr. Eakins said the reason they do not put up the money is that they do not have it. Senator Groh felt that the native corporations have more money than anybody. Mr. Eakins said we have assurance from them that they will invest their own money in this, but they need "capital structure" monies (for instance, for barns). Mr. Eakins felt it would be a good investment for the State because of its economic potential. There are few agricultural industries that do have a potential in the State of Alaska.

Senator Butrovich noted that there is a meat shortage, so the commodity is salable. He felt government has a place in promoting the industry. He pointed out that most of the people would rather do something besides herding reindeer.

Senator Palmer asked for reasons why the program did not go last year. Mr. Eakins felt it was because the BIA cancelled the contract with the herders association wherein the BIA provided funds to pay administrative costs, predatory control, slaughtering of the animals, etc. Mr. Eakins said the department could not see a clear solution to the program's problems until December, after they met with the native corporations. It was decided that it was necessary to get the program out of the BIA's hands. The $78,000 was spent to assist the natives to hold their annual slaughter: $20,000 was given to the Division of Agriculture to assist with the slaughtering. This involves inspection, supervision of the slaughter, repairs, etc. $28,000 was contracted to two native corporations for an inventory of all reindeer and predator control. $6,000 was spent to hire the Aleut League to inventory animals on two islands. $3,000 is being contracted with the Upper Kuskokwim Native Association to indoctrinate herders on handling reindeer (decalfing, dehorning, etc.). There is about $10,000 left over.

Answering Senator Palmer, Mr. Eakins said last year's slaughter involved about 250 animals (about 100 - 125 lbs. per carcass). Mr. Eakins added that about $5,000 of the money was used to repair the slaughterhouse. Commissioner Ryan pointed out that federal laws require that there can be no slaughter on the range--this adds a big amount to the cost of the slaughter.

Answering Senator Groh, Mr. Eakins said the meat sold for about 75-80 cents a pound. It costs about $1.00 a pound to slaughter the animals. The 75-80 cents represents a wholesale price. Mr. Eakins stated that the way the animals are slaughtered precludes them being shipped out of the State, so right now the meat must be sold locally. He estimated that they will not be ready for the European market for about 4-5 years if everything goes well.

Mr. Charney thought the problem is that presently the owners of the herds have no incentive to enlarge the market, as they are making as much money as they need. That is why the State should get involved.

Senator Ray objected to "running all over the State" trying to find people who know about reindeer, because the best herders are the native aborigines. He stated that it seemed obvious to him that if reindeer herding was such a great industry, the native corporations would be involved, and they do not seem interested.

Answering Senator Palmer concerning the method of transporting the animals (they are trucked, rather than trail driven), Mr. Eakins said the State does not meet federal inspection standards. Right now the federal government does not interfere with State inspection, and the meat can be sold in the western areas.

Mr. Eakins closed with the statement that they have assurance from two native corporations that if they receive help with the experimental stage from the State, they will capitalize the industry.

Commissioner's Office

Senator Groh noted that the request from the department is $279.0, and the Governor recommended $268.0. There are 10 employees.

Senator Ray noted that we should find out from the Department of Administration why we have these "horrendous" rents for ASHA. They are paying 2-1/2 times what the old office space cost. Mr. Charney commented that the problem is that the bonds for the new building were sold with a provision to pay the entire amount of capitalization over a 12-year period.

Senator Groh asked Mr. Charney to please look into the matter to see if there is a pre-payment penalty, and to see if there is any way to refinance.

Reading from the Alaska Visitor's Association report, Senator Groh noted that the division proposes an increase of $341,550 in its budget, and listed priorities for their requests. Senator Groh asked Commissioner Ryan to review the list of priorities and submit a list of what she feels are the top priorities.

Commissioner Ryan called attention to a problem her department is having. She stated that since the budget was submitted and reviewed by the Budget Committee, the pipeline finally became a reality. As a result, the Small Business Development Fund has received a severe impact. (This budget appears on page 32 of the short form, and page 278 of the red book). She said there is only $3-4,000 in the balance for the rest of this fiscal year. At the time the request was made, they had requested $40,000 because they had unexpended funds left from last year. She cited the importance of the fund. She said Mr. Cox of the SBA and President of the Board has written to the Governor requesting that this budget be increased to $100,000 (a $60,000 total increase).

Responding to Senator Palmer's question, Mrs. Ryan said this program operates through the 502 federal program in which SBA makes loans available to businessmen through local development corporations. The State is prepared to pick up 50%

Senator Sackett asked for an explanation for the $40,000 grant to communities for development that appears in the tourism budget. Commissioner Ryan explained that it goes to communities who inject a like amount of money for building or manning tourist information centers or attractions. Pending legislation, sponsored by AVA, is to increase the maximum amount from $1,000 to $2,000.

Commissioner Ryan then introduced Deputy Commissioner of Economic Development Cameron Edmondson to the committee.

SB 383

SB 383 is "An Act relating to early service credit under the employees' retirement system."

Senator Groh requested that a fiscal note be prepared on this bill.

Senator Ray explained that this bill makes certain otherwise ineligible employees eligible under the State retirement system. Senator Butrovich added that there are people employed in the commissioner's office, who were federal employees, and were not picked up by the State. This bill will pick up those people. Senator Ray stated that it is the same except that the period of time they worked for the federal government has not been counted in on their retirement. It applies to such people as U. S. Marshalls, Deputy U. S. Marshalls and FAA security guards.

As an example, Senator Butrovich explained that, in his case, they did not have a retirement system under the territorial government, so the State gave them the opportunity to pick up their part, and they had to pay their portion.

Senator Palmer moved that SB 383 be reported out of Committee with a "do pass" recommendation. There being no objection, it was so ordered.

HB 504 am

"An Act making a supplemental appropriation to the Office of the Governor." (for energy office)

The committee questioned the staffing envisioned by this request. The program requests a total staff of 8 persons, as follows:

In Juneau - An Energy Coordinator, an Assistant Coordinator, and a Secretary;

In Anchorage - An Energy Coordinator, an Assistant Coordinator and a Secretary;

In Fairbanks - an Energy Coordinator,, and a Secretary.

The original budget request was for $67,843, and the House reduced the amount to $54,500, based on the five remaining months of the operation.

Senator Groh announced that the committee will take up consideration of this bill tomorrow afternoon.

Adjourn — The committee adjourned at 4:00 p.m.

SENATE FINANCE COMMITTEE
March 5, 1974
10:35 p.m.

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

Myrton R. Charney, Director Division of Budget and Management; Senator Rettig; Mr. Alexander, Department of Revenue; Richard Hall, President, National Bank of Alaska. Ed Anders, Special Assistant, Office of Governor.

Joe LaRocca, news reporter; Elaine Mitchell, Alaska Educational Broadcasting; Mary Pat Murphy, Associated Press.

HB 504 am Energy Ofc.

Senator Groh called the meeting to order and announced that the committee will consider HB 504, which makes a supplemental appropriation of $54,500 to the Office of the Governor for a State energy office. The original request was for $67,900, and was reduced to the present amount by the House. This appropriation will take care of the rest of the fiscal year.

Senator Ray questioned why so many people are needed (8 requested). Is it a federal requirement? Mr. Charney replied that it was felt that people were needed to cover the three major areas of the State (Juneau, Fairbanks and Anchorage). He stated that the federal coordinator will be located in Anchorage.

CSHB 253 Retirement Fund

At this point, the Chairman announced that the committee will discuss CSHB 253 "An Act relating to the investment of surplus retirement fund money" and get back to HB 504 later in the meeting.

Mr. Alexander of the Department of Revenue explained that HB 253 gives the Department of Revenue additional power to invest in five or six additional items. On page 2 of the bill, there is a provision that in case there is a loss, the State shall take the money from the general fund and reimburse the retirement fund.

Senator Groh questioned whether a comparable provision should be inserted for those new items that they would now have authority (under the present bill) to purchase..What would be the effect on the general fund? Mr. Alexander replied that any loss is made up from general fund money.

Answering Senator Groh as to why we should do that, Mr. Alexander said he did not feel it is common practice for the general fund to make up any losses in a retirement fund. Generally, retirement funds make up their own losses. He was opposed to that provision of the bill.

Answering Senator Ray, as to why the State is involved in making determinations on the investment policies of retirement funds, Mr. Alexander said he agreed with Senator Ray that the State should eventually get out of this business. Once the money is put into the retirement fund, it is no longer the State's money. The theory behind the State being involved is so they can make sure that good investments are made, because if the retirement fund loses money, the State must make up the loss.

Senator Palmer noted that the bill provides additional capital for different loan programs and it specifies that a certain amount must be invested in these programs. He said this might not happen if the State got out of it. Answering Senator Palmer, Mr. Alexander stated that the Department of Administration turns the funds over to the Department of Revenue for investment.

Referring to a letter dated January 15, 1974 to Commissioner Stevenson from Larry Eppenbach concerning retirement fund investments, Mr. Alexander stated that about 18% of the fund is invested in equities. Equities were below cost, as the market was down. The rest of the fund (using market values) earned about 5-1/2%.

Senator Palmer stated that he is concerned about the return of earnings. The total fund, including fixed income and common stock investment was as follows:

Public Employees Retirement fund for FY ending June 1973--
2.15% (total fund);

Equity portion was down 8.66%.

Other portions were up 5.72%.

Total fund averaged 3.15%.

Mr. Alexander stated that the equity portion is what is pulling the earnings down. He noted that they have recently changed their equity management from First National Bank of Anchorage and National Bank of Alaska.

Senator Groh wondered if we should consider getting out of the equity market completely because of the losses. We could put that money into mortgages and make a higher return. Mr. Alexander replied that we have had two or three bad years, but supposedly the good years will more than offset this.

Senator Palmer noted that Mr. Eppenbach's letter states that we are at the bottom 2% for the Employees Retirement Fund and the bottom 12% for the Teachers Retirement Fund, (compared with other pension funds). Mr. Alexander replied that they have made the change they felt was in order (changed investment managers).

Answering Senator Palmer, Mr. Alexander said there is about $84 million in each fund and about 17 million of that is in equities. ($67 million under Treasury management).

Referring to the fact that Lionel D. Edie & Company, newly-chosen investment managers for the Public Employees Retirement Fund, is a wholly-owned subsidiary of Merrill-Lynch, Senator Groh questioned why the State would choose a firm that is owned by a brokerage outfit. Shouldn't they have tried to avoid this? Mr. Alexander's reply was that the committee decided to pick whom they felt was best, adding that we must trust the firm we hire.

Senator Groh emphasized that we should consider getting out of the equity business.

Richard Hall, President, National Bank of Alaska, testified concerning CSHB 253. He said his bank was concerned about a provision on page 2 (line 9). He asked if the bill intended to allow the State to buy entire mortgages or just the insured portion. He explained that when an insurance company insures a loan they insure the top portion and the remainder of that mortgage becomes uninsured. The bank felt that should be the intent of the bill. (to buy the whole thing, and not just the insured portion).

Senator Groh asked how Mr. Hall would suggest amending the bill. Mr. Hall replied that they are asking for a clarification: Is it the intent of the bill that the State can buy the whole thing, rather than just the insured portion?

Senator Rettig said the way he reads the bill, the State can buy 75% of the total loan, of which the top 20% is insured.

Senator Groh stated that he thinks Senator Rettig's analysis is right--the State can buy the whole thing. We are really buying a note, and the note represents the full indebtedness.

Mr. Hall stated that the bank had thought that possibly the bill intended that the State just buy the insured portion.

Senator Groh suggested an amendment to line 10 on page 2, after the word "if", add (if)"not less than 20% of a mortgage is insured."

Senator Ray questioned Senator Rettig about why the State is involved with these investments. Senator Rettig replied that at present the Commissioner of Revenue is charged with that responsibility--it is a state program. However, we could turn it over to somebody else if the Legislature so desired

Referring to page 4, line 19, which reads:

> "(g) Notwithstanding any other provisions, the pension fund may purchase, at fair market value, any assets of the retirement system of any participating municipality as of the effective date of participation."

Mr. Hall said he felt the phrase "fair market value" is unneeded. He explained that at the present time the bank is handling municipalities investments, including the stock and mortgage portion. They will turn this pension fund back to the city in its entirety, transferring the assets. The city will transfer the assets to the State who will administer the program. They are concerned that "fair market value" will also be applied to real estate mortgages? He cited the following example of their problem:

They purchase these loans over the years at various rates. Some of these were purchased at 5 to 7%. The State will then revalue those and discount the mortgage when they move them into their portfolio. Example: They have $1 million in real estate loans at various interest rates. The Department of Revenue will value those loans at $950,000 and then tell the City of Anchorage (for instance) that they are taking in their stock and bonds at the prevailing rate. The people in the City will protest that they are worth $1 million because that is what the bank had them listed at. Anchorage will be looking to the bank for the other $50,000, and the bank will have no answer except to say that they purchased them at the fair market value at the time. It will create bad feelings between the city and the bank. Mr. Hall suggested that the committee delete "at fair market value" in paragraph (g).

Answering Senator Groh as to whether or not the State would value such mortgages at a lesser amount, Mr. Alexander replied that he would not buy them without a big discount. Why should they take them in at 5% when they can buy them yielding at 8 or 9%?

The committee discussed the problem of merging two retirement systems which are yielding different returns.

Senator Rettig felt the only way to merge existing pension systems is to equalize the current yield so one pension fund does not suffer from the other.

HB 504 am — Ed Anders, Special Assistant, Governor's Office, asked the committee to defer action on HB 504 am until Mr. Yaskett returns from Anchorage. He is due back in on the 11:30 a.m. flight today.

Senator Groh told him that the committee will discuss that bill at a session tomorrow afternoon.

Recess — The committee recessed at 11:45 p.m.

AFTER RECESS
1:35 p.m.

Present: Senators Groh, Palmer and Sackett. From the Department of Community and Regional Affairs, Commissioner Byron Mallot, Donald Argetsinger, John Chenoweth, Mike Jones, and Kevin Waring; from Budget and Management, M. Charney and J. Crondahl; and Mary Pat Murphy,AP, were also present.

DEVELOPMENT
Dept. of Community & Regional Affairs

Senator Groh called the meeting to order and said the sub-committee would consider the budget for the Department of Community & Regional Affairs.

Rural Affairs Commission

Senator Groh noted that the Governor's request for Rural Affairs Commission is 17.0. Senator Groh said this Commission had been utilized for the purpose of bringing the native leadership together and he thought this purpose had been carried out. He said now the question is whether this Commission is really necessary for the future. Mr. Mallot said for all practical purposes his department has taken a "hands-off" policy with respect to this Commission. The Department furnishes staff assistance and during the preparation of the budget the Commission requested an increase in travel and their own staff. (This was not included in the budget.).

Senator Groh referred to policy recommendations noted in the budget. He requested Commissioner Mallot to furnish the Committee with a list of these recommendations and a list of the present membership of the Rural Affairs Commission.

Local Government Assistance

Senator Groh noted the Governor's request is 398.8 for the Local Government Assistance BRU. Mr. Mallot stated that the major increase in this budget is 100.0 to complete a study of ad valorem tax base in the unorganized boroughs. He said they feel this is necessary both to the legislature and the administration.

Senator Groh asked if the Department intends to make any recommendations that unorganized boroughs be converted to organized boroughs. Commissioner Mallot said if they were speaking of mandatory boroughs the answer would be no. He said the Department had just completed a paper and took strong opposition to mandatory incorporations.

Senator Groh said he could not see spending 100.0 for a study if they did not contemplate recommending that these areas begin taxing. He said if the unorganized boroughs are not going to incorporate and the Department is not going to require them to, why spend 100.0 to find out what their tax rate is?

Commissioner Mallot disagreed saying he thought it was absolutely necessary to allow local governments to make "rational judgments about what is there." Senator Groh said he did not think they would voluntarily incorporate. Mr. Mallot disagreed. He said if people know what is out there they would take a hard look at the options.

Senator Groh asked if there are incentives for incorporating. Mr. Mallot said for all practical purposes, no. He said there is a transitional grant -- $10.00 per capita for those persons who voted in the general election. He added that revenue sharing in unorganized boroughs is "totally inadequate with respect to services they are expected to provide." Senator Groh suggested that the 100.0 might be better spent on increasing incentives. Mr. Mallot said he felt that giving people information with respect to where property is and the dollar amount is an incentive.

Senator Groh referred to a paper by Fisher Morehouse on local government. This indicated that local government in the state is in a mess. Mr. Mallot said he did not think this is true. Senator Groh said that one of the recommendations of the study was to take away from the Community and Regional Affairs the determination as to which boroughs should be organized. This determination would be left up to a committee (to be composed of legislators and citizens). Mr. Mallot said when his Department had been created it was recommended to create a "broad base commission to study the whole issue of local government." He added that it was not their job to recommend which areas should be incorporated.

Senator Groh stated that he did not believe the Department or the Local Boundry Commission had performed their duties. He said they had not exercised their constitutional duties. Senator Groh also noted that the Local Boundry Commission had not addressed itself to problems in Anchorage.

Senator Palmer asked for examples of areas that might organize once they have the tax information available. Mr. Mallot said there are a number of regions looking at this possibility, i.e., the Northwest region South of the Artic Slope and the Bristol Bay region. He said the Nenana region is also looking at incorporation. Nenana is looking at the educational aspect of local government.

The Committee then discussed local governments taking over S.O.S. schools. Senator Palmer asked if the main incentive for incorporation would be the control of their schools. Mr. Mallot stated that this is one of the principal incentives right now. He added that there is legislation to create a muncipal bond bank and this would provide an incentive.

Senator Groh said he thought there is a "no man's land out there from the standpoint of government." He did not feel that people would vote to tax themselves. Consequently, the Department has not carried out its duties. Mr. Mallot spoke in defense of his department noting that it is only two years old. He said he realized there are problems and there is a great deal more they can do. Mr. Mallot pointed out that their budget this year is 300.0 and felt they had accomplished a great deal.

In answer to Senator Palmer, Mr. Mallot stated that he thought the 100.0 would provide a study to give the people a good approximation of what is there and will provide the communities a basis for making sound judgments.

Senator Groh referred to a letter from Mr. Mallot to Robert Sharp, City Manager of Anchorage, dated February 12, 1974. The letter indicated that funding would not be available for FSS SLA 73, Ch. 2 (providing $5 million for pipeline impact to local governments). Senator Groh asked if any of this had been paid out. Mr. Mallot stated that no amounts have been paid out. Senator Groh asked how many applications the department had received. Mr. Mallot said hey received two inquiries -- Valdez requested $1.5 million and Anchorage sent their entire budget with items lined out that could be related to pipeline impact. He stated that Anchorage did not request a specific amount.

Senator Poland entered the meeting.

Senator Groh asked if any other communities had applied. Mr. Mallot stated that the Governor's office had requests from the Borough and City of Fairbanks. He stated that they had received correspondence from other groups and organization asking whether they would qualify for funding under this special appropriation.

Senator Groh asked if it was the intent of the Department not to honor any of these requests. Mr. Mallot said they had not seen any requests for funding that, in their judgment, qualifies under this appropriation. He said Anchorage has been reasonably able to meet the affects of the pipeline impact.

Senator Ray entered the meeting.

Senator Groh explained to Senator Ray what had taken place in the meeting. Senator Ray sai he felt that the Governor has presented his impact budget and that the Department had been justified in not dispensing funds.

Senator T. Miller entered the meeting.

Senator T. Miller asked how many formal applications had been made. Mr. Mallot said they had received inquiries from Anchorage and Fairbanks. He said he was not sure of the nature of the inquiry from Fairbanks. Mr. Mallot said they were not doing this out of any effort "to thwart legislative intent." He said it was their clear understanding this piece of legislation was passed to respond to extra ordinary types of impact and they did not feel this had happened.

Senator T. Miller asked Mr. Mallot if he felt there had been impact in the state. Mr. Mallot said yes. Senator T. Miller asked Mr. Mallot to characterize this impact. Mr. Mallot stated that this was largely in the nature of population increases beyond normal growth in Fairbanks and Anchorage. He said Valdez has recently experience this growth. He said the impact has obviously been felt in social service agencies. Mr. Mallot added that in larger local governments the impact has been felt in public protection. He said that the pipeline impact legislation would enable them to respond. Senator T. Miller asked if he anticipated dispersing money based on the experience factor as soon as the legislation clears and is signed by the Governor. Mr. Mallot answered yes. He said he felt the pipeline impact legislation should have been passed during the first 30 days. Senator Miller reminded Mr. Mallot that this legislation had not been presented until late in the session.

Senator Ray said that what Mr. Mallot was indicating was that the language (in FSS SLA 73, Ch. 2) noted that funds would be dispersed when the communities reached a crisis level. He asked if there had been a crisis anywhere in the State. Mr. Mallot said not to the extent that would allow the Department to use these funds. Senator Miller said he thought if there had been a question on this legislation it should have been submitted to the Budget and Audit Committee.

Senator Miller stated that officials in Fairbanks and Anchorage dispute the department's position.

Ken Roberts, free lance photographer, entered the meeting.

Senator Groh agreed with Senator Miller that the Department should have brought this to the Budget and Audit Committee. Senator Ray disagreed.

The meeting recessed at 2:30 p.m.

AFTER RECESS
2:35 p.m.

Mr. Mallot gave a general statement on his budget. He said since the creation of his department they have been trying to get a handle on some of the problems. He felt their budget was reflective of their need to try and solve the problems.

Local Boundry Commission

Senator Groh noted that the budget request for the Local Boundry Commission is 41.6.

Community Planning Assistance

Senator Ray referred to Community Planning Assistance. Discussion followed on the HUD funds. Senator Ray stated that when this started out it was in the Office of the Governor, Planning and Research. AT that time it required no general fund money. When it was transferred to Community Planning Assistance it then required a match. After a brief discussion, Senator Ray requested that future budgets indicate more clearly the exact match (2 to 1, 3 to 1, etc.).

State Economic Opportunity Office

In answer to Senator Ray, Mr. Chenoweth said that O.E.O. had required at least a 20% match from the state. They have changed their requirement -- it is not now a specific match but they are looking at the State's efforts and will free to switch funding from state to state.

A discussion followed on the CPC conferences and Mr. Mallot agreed to furnish the committee with a document on this.

Revenue Sharing

Senator Groh asked if there were any recommendations on revenue sharing. He said that this program needs substantial attention. He said the Committee would appreciate recommendations on any modifications that the Department felt should be made Mr. Charney pointed out that the $9,863.0 is only 92% of the funding. Mr. Mallot said they have done work on this and next session they will probably come in with a completely revamped proposal.

Senator Poland referred to a bill by Senator Hensley which would change the revenue sharing formula. Mr. Argetsinger this would add an additional $1 million to the program.

National Forest Receipts

Mr. Mallot said this is essentially a bookkeeping function. There were no questions.

Native Claims Payments

There were no questions on Native Claims Payments.

Commissioner's Office

Senator Ray asked why there was such a large increase in personal services in the Commissioner's Office. Mr. Argetsinger said the difference is that in FY 74 some of the four positions were not funded for an entire 12 months.

Rural Development Assistance Grants

Senator Groh asked for the Department to furnish the Committee with a report on the number of grants authorized, the amounts of the grants and the places where they were awarded during the past year.

Mr. Mallot said that although he had agreed with Senator Groh on some issues he thought they were fully agreed that something needs to be done. He felt their department is doing a better job than what has been done in the past.

Recess:

Senator Groh thanked the Commissioner for his testimony and the meeting recessed at 3:25 p.m.

AFTER RECESS
3:40 P.M.

Present: Senators Groh and Poland. Emmitt L. Wilson, Commissioner; Lois J. Cook, Administrative Officer, Department of Commerce. Myrton R. Charney, Director, Division of Budget & Management.

Senator Groh called the meeting to order for the purpose of discussing the budget request from the Department of Commerce.

DEVELOPMENT
Loan Admin.

Mr. Wilson stated the increase in this BRU was basically due to inflation. The original request was for two positions, Loan Examiner and Clerk Typist, needed due to increased demands of normal business. The BRU was responsible for the Tourist Revolving Loan Fund, Small Business Loan Fund and the Fisherman's Revolving Fund; the latter proving to be a successful program for the fishermen as far as getting financing was concerned. Mr. Wilson said the entire state was covered by these three loan programs, and could well justify an additional Loan Examiner for FY 75; however, he recognized the fact that the Governor had priorities in budget recommendations. The increase in Contractual was due mainly to ASHA rent to be paid in the new office building, added Mr. Wilson.

Sen. Groh asked if Mr. Wilson had checked with local bankers to compare the number of loans they process with the number processed by Loan Administration. Mr. Wilson replied the division had a broader base since they covered the entire state, whereas bankers only identified with their own immediate area and were not involved with travel time. He said, however, that he would check on it.

Sen. Groh noted a recommendation from Sen. Ray that the administration of this BRU could be paid out of loan funds as are agricultural and veteran's loans. Mr. Charney said the Veteran's Loan Fund was capitalized in millions; whereas the loan programs involved here amounted to $485,000. Mr. Wilson added the state appropriated dollars to the Veteran's Loan Fund and they operated out of their profits. The Department of Commerce received 1/2 of 1%, but this did not come close to covering the entire cost of the division. It could offset expenditures at some future time.

Veteran's Loan Admin.

Referring to Veteran's Loan Administration, Mr. Wilson said the increase in Personal Services was to obtain an appraiser to work primarily in outlying areas. It was very costly for appraisers in urban areas to go to rural areas, and Mr. Wilson felt rural areas were handicapped as a result. In Anchorage it was not costly to get an appraiser for a home, but in Nome it would cost an applicant $500 to get an appraisal on a home. Sen. Groh asked if local bank managers could not do appraisals, to which Mr. Wilson replied bank managers are not qualified and inexperienced in matters of appraising. Sen. Groh noted Anchorage banks did not have in-house appraisals since it was too costly to set up an appraisal department. Mr. Wilson replied he did not believe it was fair for the applicants in rural areas to pay 100 times more than those in urban areas.

PUBLIC PROTECTION

Weights & Measures

Mr. Wilson said the Weights & Measures division requested $546,700, an increase of $36,700 from FY 74. The increase was basically for a mobile home analyst, as the division was given the responsibility to regulate the mobile home industry but never allocated funds to cover the additional responsibility. To date the division had recorded 682 models. Mr. Wilson continued by saying legislation will be introduced to try and recoup some costs requested by charging applicants $100 for each plan and model they submitted and an additional $50 for renewal of models submitted. Hopefully the additional dollars requested in this area would be recouped in revenues through new legislation.

Sen. Poland questioned a mobile home company by the name of Husky doing business in Palmer, and Mr. Wilson replied they were no longer in business.

Banking & Small Loans

Sen. Groh referred to Banking & Small Loans and asked if an increase in fees shouldn't be considered due to new businesses starting in Alaska. Mr. Wilson said legislation had been submitted to adjust fees in the banking area, and corporate filing fees might be amended also. Sen. Groh said $25 for a business license was very low and he thought it could be increased to $100. Mr. Charney noted this could create a problem with an individual doing business as a consultant, but the main concern was that legislation in this area could result in the repeal of the entire license fee section.

Securities & Land Sales

Mr. Wilson noted an additional employee was requested for Securities & Land Sales, a clerical position to offset normal growth. Two Securities Officers are presently employed, and they are experiencing activity now in the commodity and option area. Part of their responsibility was for land sales outside of the state, where costs were borne by the applicant, added Mr. Wilson. From 1959 the division has experienced a heavy burden in this area.

Corporations, Administration & Support, and the four components under Insurance requested a maintenance level budget.

Alaska Pub. Util. Commission

Alaska Public Utilities Commission budget request increases were transferred to the Pipeline Impact Budget and Mr. Charney explained this was done for two reasons: positions were requested because of pipeline impact and the need to fill the positions immediately.

Alaska Transport. Commission

Referring to the Alaska Transportation Commission, Mr. Wilson said the Governor's recommendation decreased the request by denying the Rate Analyst position.

Pipeline Regulation Commission

Sen. Groh asked if there were any nominations for members on the Pipeline Regulation Commission, to which Mr. Wilson replied there were not. The Commission would regulate three or more pipelines other than the TAPS construction, one being a gas pipeline in Kenai. Mr. Wilson added they were in a dilemma when preparing the budget request as to how the commission would be structured. The decision was the best way to handle the commission was to fund the positions the law required, namely the three commissioners, and add secretarial staff. Funds were requested in Contractual for services needed until an evaluation was made on structuring the commission.

Licensing & Admin. of Boards

Mr. Wilson noted one additional Licensing Examiner was requested for Licensing & Administration of Boards due to additional responsibilities of two boards, Game Guide Licensing Board and Opticians. Previously the division was given the responsibility for Architects and Engineers, requiring a transfer from another division, for which the division is requesting funding. All receipts from licensing go to the General Fund. Sen. Groh asked why they could not administer their own boards, rather than have a 15-person department taking care of the boards. Mr. Wilson said the function they perform was a licensing function and they tried to collect fees to cover expenses. The division collected more fees than it cost to administer.

Adminis. & Support

Under Administration & Support, Mr. Wilson said a large part of the increase was ASHA rental. Sen. Groh noted the tremendously high ASHA rents were disturbing and the committee had discussed the possibility of spreading out the rents by refinancing the bonds. Mr. Charney said they are 15-year bonds, with 12 years left to go, non-callable, and he could discuss the matter with a bond counsellor.

Adjourned: The meeting adjourned at 4:30 P.M.

SENATE FINANCE COMMITTEE
March 6, 1974
9:00 a.m.

Present: All members except Senator Sackett. From the Department of Administration, Commissioner Henri, Pat Hunt, M. Charney and Ron Lind; Andy Williams, news reporter, and John Greeley, AP, were also present.

Senator Groh called the meeting to order and said the committee would consider the following bills relating to state employees:

SB 448 Supplemental appropriation to Dept. of Administration for employee pay increases;
SB 449 Pay for state employees - basic salary schedule;
SB 450 Pay for state employees - retroactive pay increase;
SB 451 Supplemental appropriation to Dept. of Administration for employee pay increases;
SB 452 An Act relating to group insurance -- state employees;
SB 451 Public employees' retirement system;
SB 454 Per diem and travel allowance -- state employees.

Senator Groh requested Commissioner Henri to explain the background on the APEA negotiations.

Commissioner Henri said that they began negotiations with the General Government Unit last November. Basically the Unit is in agreement with the State system. They have no basic disagreement with the laws governing the employees. Mr. Henri said the package of bills before the Committee is not a radical change.

Mr. Henri said they are currently dealing with Tri-Trades and these negotiations may result in a radical difference.

Mr. Henri said that he felt the APEA negotiations had resulted in a "pretty good package" -- it presents a new and better grievance procedure, life insurance protection for everybody, and travel accident insurance.

Mr. Henri said that one significant difference was the treatment of State Troopers. Since 1971 State Troopers have received a two range increase in lieu of overtime. They agreed to put these employees back two ranges and allow them to receive time and a half for overtime. Commissioner Henri added that although they have moved back two ranges they are currently considering a one range increase reclassification.

Senator Groh refeered to SB 449 (basic salary schedule). He asked what is included in this that was not negotiated.

Mr. Henri explained that the salary schedule has the same ranges (ranges 5 - 28) that exists in the current schedule. The highest member in the General Government Unit is a range 23. Commissioner Henri said they were "a little gratuitous in throwing in" the upper ranges. The people in these upper ranges represent the supervisory unit. The ballot for this unit is coming up shortly. This unit will vote for APEP representation or no representation. Commissioner Henri said it was their intent to put a "me too" on the contract for the supervisors.

Commissioner Henri said there are about 4,000 "warm bodies" and about 5,000 positions in the General Government Unit.

Commissioner Henri said there are a lot of employees not able to bargain collectively (Dept. of Law, Office of the Governor, legislative employees, commissioners' secretaries, and directors). There are a number of people who could not be paid (at the higher level) if the Legislature does not allow the higher wages under the basic salary schedule.

Senator Sackett entered the meeting.

Commissioner Henri said while they do need the salary schedule to pay employees who are not in the unit, they do not need legislative confirmation of the contract.

Commissioner Henri said there is a cost of living factor in the contract. If the cost of living goes over 6% the employees will be protected. Senator Ray stated that this clause would bind a future legislature and he questioned whether this could be done. Mr. Henri stated that he felt it was proper to negotiate this clause. Senator Ray said he thought the legislature was bound to live up to any agreement the administration had reached. He said he felt the legislature had the authority to decrease the funding but they could not increase the amount. Mr. Henri agreed that the salaries could not be increased nor could the legislature change some of the agreements that do not involve money. Mr. Henri added that he did feel the legislature had the right not to fund it.

Senator Groh asked Mr. Henri his opinion of the legislature's perimeter of authority. Mr. Henri felt it was totally in the appropriation.

Senator   entered the meeting.

Discussion followed on the number of people in the Tri-Trades.

Senator Groh restated Mr. Hunt's explanation of the members in Tri-Trades by saying there are 800 members negotiating now. They are negotiation for another 1,200 positions (of the 1,200 positions 800 are filled).

Mr. Lind stated that there are about 10,000 permanent (12 month) employees covered by the contract. This excludes SOS teachers and Marine Transportation. He said they are requesting funding for all authorized positions with these exceptions.

Senator Ray questioned the vacancy factor. Mr. Charney stated this is running about 8 to 10%. Mr. Lind said this information is from a December computer run. Senator Ray pointed out that the committee has been using a September run.

Mr. Henri said that the contract includes employees of SOS with the exception of the teachers.

Senator Palmer asked what the impact of the contract would be on Marine Transportation and SOS. Mr. Henri said these would be separate negotiations. He pointed out that SOS contracts have already been completed for FY 75. Senator Ray added that his feeling on Marine Transportation is that "they are past the point of no return." He said if it comes to an increase on this they might just decide the State does not need those people.

Senator Groh asked how many positions are covered in the $31 million appropriation (SB 448). Mr. Henri said there are 10,100 slots and more than 6,500 "warm bodies."

Senator Palmer asked if this is a uniform percentage increase. Mr. Hunt said yes with the exception no one receives less than a $125 increase (at the bottom of the ranges the percentage will be more).

Senator Ray asked how much of an increase Range 28, Step F would receive. Mr. Hunt answered $379 a month.

Senator Lewis asked what would happen if the legislature decides they can't afford the $31 million. Mr. Henri said there would be "a lot of chaos." He added the State would probably end up in litigation.

Commissioner Henri distributed statements on the contract cost (see pages 154-155).

The committee discussed the per diem allowance (SB 454). Mr. Henri said that now the State is paying $30 a day and

The new legislation on per diem would be on a slide scale ($30 to $47 a day) based on geographic locations.

Senator Poland asked about the health insurance repayments. Mr. Henri said they had agreed to pay the medical premiums of members of the General Government Unit from January forward.

Recess: Senator Groh thanked the Commissioner for his testimony and said a continuance of this meeting would be scheduled at an early date. The meeting recessed at 9:55 a.m.

Statewide
Contract Salary Costing - 75

		Budget Admendment	
Salary 13.95%	(1,248) - (1,095) $153 x 115,863 (Statewide man months excluding M.T. & SOS Prof.) Benefits @16%	17,727,000 2,836,300	20,563,300
125 Guarantee	$92,400 x 12 1,108,800 per year State PFT 110,800 10% Temp/QT 44,400 U of A Classified 202,200 16% Benefits		1,466,200
Health Insurance	$223,400 x 12		2,680,800
Employee Accident	150,000 per year		150,000
$2,000 Life	93¢ per employee per month		111,600
Per Diem	900,000 per year		900,000
Overtime	Based on 50 hr. week		2,235,000
U I Coverage	1,248 x 115,863 = $144,828,000 x 1% = 1,448,200 (includes U of A teachers) Add $125 min. cost ,1,466,200 x 1% = 146,600 1,594,900		1,594,900
Retirement	1,248 x 12 = 14,976 x 9,300 (PFT exclude U of A/SOS Prof & MT) 139,276,800 x 1.21% =		1,685,300
		TOTAL	31,387,100

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3/6/74

Contract Cost FY 74 Applied Statewide
Except U of A & SOS Professionals & MT

			Total
6% Retroactive	$1,095 x 6% = $66 per month x 6 months = $396 per employee		
	$66 per month 49,150 (½ 74 man months excluding SOS & U of A professional & MT)	$3,243,900	
	Benefits	519,000	
	Total with no exclusions since covers all man months includes temporary & other	$3,762,900	
	who are not now working could be reduced by at least 10% to		3,386,600
+ 7½% 1/16 - 6/30	$1,161 x 7½% = 87 + 66 = 153 x 5.5 = $841 per employee		
	153 x 45,000 (45.8% of total 74 man months excluding SOS/UA/Prof + MT)	$6,885,000	
	Benefits	1,101,600	7,986,600
$125 month minimum	(92,400 per month for all eligible PFT excludes temp) x 5.5 =	$ 508,200	
	16% Benefits	81,300	
		$ 589,500	
	Est: Temp at 10% of above	58,900	
		$ 648,400	
	U of A classified total 750 Emp. Est. ¼ affected = 188 - 4% of above#	25,900	674,300
Health Insurance	Cost per month $223,400 x 4.5 plus repayment of employee payments 1/16-2/15 $143,500		1,148,800
Employee Accident (Travel)	150,000 per year ÷ 12 - 12,500 per m x 4.5		56,300
$2,000 Life Insurance	93¢ per month per employee 4.5		41,800
Per Diem Adjustment	Total 900,000 ÷ 12 = 75,000 x "48[illegible] x 4.5		337,500
Overtime	Per Year		
	(Current Salary) (1,202,673) x (116%) = 1,395,100 x 116.18 = 1,621,100		
	(Current Salary) (455,526) x (116%) = 528,400 x 116.18 = 613,900		
	2,235,000		838,100
U I Coverage	Assume 7/1/74		
Retirement	Assume 7/1/74 effective date		
	Total Supplemental		14,470,000

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3/6/74

SENATE FINANCE COMMITTEE
March 7, 1974
11:25 a.m.

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

Ed Anders, Governor's Office; Bob Yaskell, Governor's Office; Robert S. Gates, Benefits Administrator, Retirement and Insurance; Dick Alexander, Department of Revenue.

Elaine Mitchell, Alaska Educational Broadcasting

CSHB 253 Retirement Fund

Senator Groh called the meeting to order and announced that the committee will be discussing CSHB 253 and HB 504 am at this meeting. He asked Mr. Gates to explain to the committee what may or may not be a reasonable compromise concerning CSHB 253.

Mr. Gates stated that the bill was intended to facilitate the City of Anchorage which has recently joined the State retirement system in transferring their assets and receiving credit for their assets. He pointed out that this is the first time this has been done in their system and a few problems developed, but they think they have them resolved. He felt the language included in the bill will accommodate what they are trying to achieve without causing any problems for Anchorage.

Mr. Gates explained that their main concern is that Anchorage be given credit for their assets, and there are two options for this:

1) Pass this bill, which would give the Department of Revenue the statutory authority to take in all of the different types of securities in question. If Anchorage and the State agreed on a fair market value price as of the date of entry, then all of the problems would be eliminated. He said we need to do this because this is the basis on which they allocate interest earnings from the rest of the fund.

2) If no agreement on fair market is reached, their actuary advises that on the investments involved, the cash flow which will be generated over the next 15 years, held separately, will be sufficient to offset the increase in the employer's contribution rate that would be required if no assets were brought over. For example, when the rates were given to Anchorage, it was contemplated that all assets would be brought into the system. This proved to be difficult when it was determined that only some of their assets could be accepted into the system.

If they were not to bring in those assets, then the employer contribution rate would have to be increased. The cost for the employer contribution rate, lacking a transfer, would be about $12.9 per month. Measuring the portfolio over its life, they figured it would be about $27,000 per month. Therefore, they would be more than paying the increase and could give Anchorage credit each year . He said this way they could never transfer any more of Anchorage's assets other than cash flow until it was liquidated, and Anchorage would then pay for the increased contribution rate out of cash flow, so it would not affect their contribution rate.

Mr. Gates stated that the latter option is administratively more difficult.

Senator Groh requested that Mr. Gates prepare appropriate language to reflect what they are trying to accomplish. He asked that they set up a formula under which they are going to bring Anchorage in, taking into consideration what their rate of return has been, what the State's rate has been, and all the other factors. He asked that this formula and a proposed amendment to sub-paragraph (g) be submitted to the committee at the earliest possible date.

Senator Groh stated that many in the legislature have expressed concern about whether or not we should get out of the equity market because of losses. He said he assumed from Mr. Gate's report that he felt we should stay in even though we have taken a beating.

Speaking on the subject of equities, Mr. Gates said he has prepared some financial information and has testified before the House Finance Committee on the subject. He explained that there are some significant cost impacts involved in removing equities which should be borne in mind.

Referring to page 2 of the Department of Revenue's report on the retirement system, Senator Groh cited figures indicating the difference in the cost and market valuation of equities (Teachers' Retirement Fund) which indicated large losses. (See Senate Finance Committee bill file - CSHB 253).

Mr. Gates replied that the actuary feels very strongly that we should look at these investments as a long-term investment (30-40 year period). He said it seemed to him that if we removed equities from the fund, that it will result in an increased employer contribution of about $1 million for each fund. He said, looking at it historically, the only place that inflation has been kept up with over the last 40 years is in the equity market.

Senator Lewis requested a clarification concerning Mr. Gate's remark about higher employer contribution rates. Mr. Gates explained that over a period of time the price of stocks moves up with the growth of the economy (3 - 5% a year is anticipated). This will cost the fund money if we remove equities.

Senator Palmer clarified what Mr. Gates was trying to explain. He said he understands him to mean that in establishing the contribution rates, they utilize a certain assumption on earnings for the equity portion and that <u>assumed</u> rate was set at a higher rate than the other portion of the portfolio. So, if we pull that money out of there now, we will have to increase employer contribution rates.

Senator Palmer wanted to know what the difference in the selection criteria for chosing the new equity managers was, saying that evidently our criteria was not very good before. Mr. Gates replied that he knows that a new group did the selecting. He said they have tried to rely on past experience and the reputation of the people they chose. He said both these considerations were thouroughly explored and the committee was satisifed that the people chosen presented a very strong background in the case for handing the money.

Senator Palmer said the real question is whether we have any confidence that over the long haul the market will be back to normal condition. Senator Ray remarked that we would be better off if we "put the money back in the bank."

Senator Groh thanked Mr. Gates for his presentation and said the committee will now consider HB 504 am - supplemental appropriation to create an energy office.

HB 504 am
Energy
Office

Ed Anders, Governor's Office, explained that the bill is a simple supplemental appropriation request to enable the State to staff an energy office which has been made mandatory by the Federal Energy Act. The Governor is asking for a total of seven positions as follows:

One statewide Director, Range 26
Three area Regional Supervisors to located in Juneau, Anchorage and Fairbanks, respectively, at Range 21.
Three Secretary II positions at Range 11

Senator Groh asked "why is this necessary?" Mr. Yaskell of the Governor's office stated that on January 24, Governor Egan issued Administrative Order 21 which created this office in conjunction with an agreement between the state and Federal Energy Office. The thinking was to have the State people working in concert with the federal people (eight of them) who will be assigned in the State of Alaska. He said they received approval of this state office operation from the federal government on February 5.

Senator Palmer asked what evidence indicates that so many people are needed to do the job. Mr. Yaskell referred to the federal register, page 1935, outlining what a state office setup is supposed to be and their responsibilities. He said judging from their experience so far under the voluntary federal allocation program, there is going to be a considerable caseload.

Senator Lewis noted that the register states that the State MAY apply to create a state energy office. It does not say it is required. Mr. Yaskell pointed that every state has created an office. He said they have a State "set aside" which the State can issue in hardship cases ONLY if the federal government approves it.

Senator Ray said if we do not have an office, we're out in the cold because we would have nobody to represent us in getting increased fuel allocations.

Senator Palmer stated there is nothing in the register which says you must have a certain number of employees. He favored establishing the office, but questioned whether we need so many people to staff it.

Senator Ray felt the only place we could cut is possibly one Coordinator. We could use the Director as the coordinator in that district. Senator Palmer recommended staffing the office with three people in one office and if we find it cannot be done, then a revised program could be submitted.

Mr. Anders explained that the problem with that is that on these fuel requests, immediate action is needed. If we understaff the office to begin with, a fisherman could miss a whole season because we don't have the personnel to attend to the request. He added that the State has "set asides" on all types of fuel, and this will have to be coordinated between the federal and state people. He said we are talking about tremendous delays if we do not staff so we can make an immediate response.

Senator Ray moved that CSHB 253 be passed out of committee with individual recommendations. There being no objection, it was so ordered.

Senator Ray stated that he felt the bill should be amended to cut one position (a Coordinator).

Members signed the committee report as follows:

"Do Pass"	Senator Groh Senator Butrovich Senator Ray Senator Poland
"Do not pass"	Senator Lewis

Recess — The committee recessed at 11:55 a.m.

AFTER RECESS
1:40 p.m.

Present:	Senator Palmer. Harry Aase, Administrative Officer, and Bill Fackler, Deputy Commissioner, Department of Natural Resources were also present.

NATURAL RESOURCE MANAGEMENT & ENV. CONSERVATION

Dept. of Natural Resources	Senator Palmer stated that the meeting would be a subcommittee review of the budget of the Dept. of Natural Resources.
Land Management	Mr. Aase explained there had been an impact budget but it had not been approved by the Governor's Budget Review Committee.
Mineral Leasing	Senator Palmer noted that a new position (Land Management Assistant I) had been disallowed by the Governor. Mr. Aase stated that the total request of 151.3 represents a very inflationary cost.
	Senator Palmer noted the decrease in contractual (FY 74 6.9; FY 75 request 3.6). Mr. Aase stated that this represented a special form which was printed every other year.
Central Land Management	Mr. Aase stated that one position had been transferred out of Central Land Management. This position was transferred to Administration to set up a classification and planning section on lands.
Southeast District	Senator Palmer noted that the Governor had disallowed the Land Management Assistant II in the Southeast District. He noted there was a decrease in personal services from FY 74. Mr. Aase explained that a person who had been with the agency for a long time (and who was at a high range) had transferred and was replaced with a person at a lower range.
	In commodities (400) the agency request was 7.8 and the Governor's requesting 1.8. In answer to Senator Palmer, Mr. Fackler stated that the request was for reclamation of logging roads. Senator Palmer asked why the State would be doing this instead of the private logging company. Mr. Aase stated that under current contracts this is required work to be done by the companies. The areas in the budget referred to reclamation of old areas (such as Haines area). In answer to Senator Palmer, Mr. Aase said this had probably been cut because the Review Committee felt it had a lower priority. Senator Palmer stated that if the need is there the longer they wait, the higher the cost.
Southcentral District	Mr. Aase stated that in all the districts they periodically have temporary help and there is always a certain amount of seasonal work.

Northcentral District — The Governor had disallowed a Clerk Typist in the Northcentral District. No other questions.

LAND AND WATER MANAGEMENT

Water Management — Senator Plamer noted that the Land Management Officer II had been approved by the Governor. Mr. Aase stated that their federal receipts for this program (PL 89-80) are shown as decreasing. The federal government is reducing this funding. This is shared with the Departments of Environmental Conservation and Fish and Game. The funds come to Natural Resources and are dispensed to the two departments (through code 700)

Cadastral Engineering — Mr. Aase stated that the Cartographer II is a conversion of of the position the legislature gave them last year. Senator Palmer stated that he thought this was a one time need. Mr. Fackler said it is needed because they are so far behind in their sales in communities. They are trying to generate more sales. Mr. Aase added that until the surveying is done the sales cannot be generated.

Mr. Aase said they have 27 positions for the current year and for FY 75 they are requesting one less position but the man months have increased as they are based on 12 months.

Administration — Mr. Aase noted that the Land Management Officer I (shown as a new position in the shortform) is actually a transfer.

Senator Palmer questioned whether adding a planning section to this agency could improve the "bum" decisions they are making. He stated that the legislature sets down the policies and this agency does whatever they can to circumvent these policies. Mr. Aase argued in favor of adding the planning section stating that with this addition they will know where the decisions come from.

Mineral Resources

Geophysical — Senator Palmer asked if they felt they were getting their "money's worth out of the 50.0 study" in contractual services. Mr. Fackler said this program is coming along -- they have a geological map of two sections of Alaska. Senator Palmer asked if a continuance was necessary. Mr. Fackler said they will look at this year and see if anything else is needed. If it isn't, Mr. Fackler said they would not use it. Mr. Fackler said they do not know what the federal funding will be for this program. The State's share may be less because the increased activity may provide more federal support.

Hard Minerals

Geological Investigation — Senator Palmer noted that the Governor's request of 249.8 is less than the FY 74 authorized of 257.0. Mr. Aase stated that this was another case of a high range position being replaced by a new lower range position. He added that a geophysicist in this program had been fired. This individual had not been doing his job and the Board had retained the Department's decision to let him go.

Mineral Analysis & Research — Mr. Aase explained that this is the laboratory at College. He said there have been no significant changes in this budget.

Regulation — Senator Palmer questioned the high travel (4.4) in the Regulation budget noting this was for only one man. Mr. Aase stated it may be high by $400 but a reduction might restrict necessary travel. The travel provides actual inspection.

Administration — In answer to Senator Palmer, Mr. Aase said the increase in contractual services (FY 74 50.1; and Governor's request 58.4 for FY 75) is due to an increase in rent.

Oil and Gas

Administration — Senator Palmer questioned the need for a contingency fund in contractual services. Mr. Aase stated that it is needed as the director is working with a small staff in a highly complex field. There may be studies coming up for which funding is required that cannot be forecast in advance. Senator Palmer asked how much was spent out of the 10.0 contingency fund last year. After a brief discussion, Mr. Aase stated 5.0 was spent.

Forest Management Fire Protection & Support — Mr. Aase said this budget reflects a significant change in people but not in man months. He said they are hoping to start gearing up for their own fire suppression force.

Recess: The meeting recessed at 2:45 p.m.

AFTER RECESS
2:50 p.m.

Natural Resouce

Land Use Planning — The Governor's allowance of 193.5 was the same as the agency request. Mr. Aase stated that personal services reflects a phase out of one position.

Joint Commission — After a brief discussion on the Joint Commission the meeting recessed at 2:55 p.m.

AFTER RECESS
3:05 p.m.

Present: Senator Palmer and Senator Poland. From the Department of Environmental Conservation, Commissioner Brewer, Jerry Reinwand, Al Eagle; and Charles Champion were also present.

DEPT. OF ENVIRONMENTAL CONSERVATION

Commissioner Brewer stated that the amount of assistance the Department is giving to various groups in the State has been vastly reduced from the past year because of the tremendous amount of effort they are putting in to try to keep some reasonable and practical approach in the discharge permits being issued by the Environmental Protection Agency. He said the Department is in an unusual position of being the most critical and outspoken of the agencies in regard to the environmental protection permits. He said they feel that they are basically impractical for the South 48 let alone Alaska. He said while they are in agreement with the intent they disagree with the strategy of accomplishing this intent.

Mr. Eagle stated that what is shown in their budget as being new is actually a result of better defining the components.

Air Quality

In answer to Senator Palmer, Mr. Eagle said on Air Quality the total number of positions has not changed -- just the method of funding has changed.

Quality Control Solid Waste

Mr. Eagle explained that the federal year begins October 1 and that it is essential this grant continues. He said there has been rumor some of these funds will carry over.

Pesticides

No questions.

Plan Review

Commissioner Brewer stated that the Plan Review budget represents level funding.

Village Safe Water

Commissioner Brewer said that the Village Safe Water budget is also at level funding. He said they have a position which recently came on board to occupy a vacant position.

Admin. & Support

Commissioner Brewer explained that Jim Anderegg's salary is shown in Administration and Support. Mr. Anderegg had previously been a federal employee. This explained the increase in personal services from FY 73 to FY 74. Mr. Eagle added that they are also trying to compute the actual expenses and the budget now more accurately reflects this.

Estuarine & Inland Water

Senator Palmer asked about the work going on at Katchemak Bay. He said information presented to him is that there are no accurate means of testing for impact on the biota and the first indication will be the downgrading of the resources. Senator Palmer said if this is the case, they should make certain nothing is dumped overboard.

Commissioner Brewer said there is a problem. From a biology standpoint, the amount of data available is virtually non-existent. Senator Palmer asked if this group would do the monitoring (at Katchemak Bay). Commissioner Brewer said he believed their group was the only one in state government with this particular expertise. He said if someone was going to take care of this problem it should be this division. After a brief discussion on how this could be handled, Senator Palmer asked if this budget gave them the tools to work with. Commissioner Brewer said no. Senator Palmer requested they submit a separate package directed at this problem. He said the proposal should be reasonable but at the same time they should make sure the program will do the necessary job.

Discussion followed on the pollution factors at Kodiak Harbor.

Senator Poland asked what the solution is for waste problems from outlying canneries. Commissioner Brewer stated that this depends on several factors -- one is the depth of water at the installation and the number of facilities. He said from the environmental standpoint the best way of treating fish waste is to cycle them back into deep water for more fish. This was briefly discussed.

Terres. Eco.
Env. Mgmt. The Governor approved a new position for Director of this program. Commissioner Brewer said they are looking for someone with a background in fresh water biology and if he has additional background in geology it would be helpful. He said it is not their intent to find someone who is trained in the zoological field and they feel the Department of Fish and Game has taken care of this aspect of the environment.

Administration & Support

Office of
Commissioner Mr. Eagle said that one of the things under contractual services is a contract with the U.S. Geological Survey for a study.

Advisory
Board The FY 74 authorized for the Advisory Board was 10.7. The Governor's request is 12.2 and Mr. Eagle explained that the Board has decided they want to meet quarterly. In the past they have met three times a year.

Southeast
Region Mr. Eagle explained that one new position in the Southeast Region and one new position in Southcentral Region were

positions that had been funded by the PEP program. This program was phased out and the positions were approved by Revised Program (73-224).

Northern Region Commissioner Brewer explained that one of the positions shown as a new position in the Northern Region is a person who has actually been on board for several years. This position showed up as a new position last year and it was disallowed by the legislature. They carried him as a temporary employee during this year. This same position was a transfer of a position from Juneau and the legislature had accepted the decrease but had disallowed the request (which was shown as a new position). This position is shown on page 199 of the shortform (Env. Field Officer I).

Prince William Sound Commissioner Brewer stated that this is the third year he had submitted this request. (The agency request is 33.0 and the Governor disallowed it all.). He said they have a problem in Valdez. They have been trying to obtain base line data and it has been very difficult.

Adjourn: Senator Palmer thanked the Commissioner for his presentation and the meeting adjourned at 4:20 p.m.

HOUSE FINANCE COMMITTEE
March 8, 1974
1:30 P.M.

PRESENT — All members of the Committee except Representatives Saylors, Meekins, Ferguson, and Specking (Mr. Specking arrived later in the meeting). Senators Groh and Poland were also present representing the Senate Finance Committee. Mr. Ed Dodd, Chairman of the Governor's Advisory Board on Pioneer Homes, and Mr. Gore, also of the Advisory Board, were present to testify. (Mr. Pat Lloyd, Grand President of the Pioneers, and Mr. Howard Bradshaw, Superintendent of the Pioneer Homes, both arrived later in the meeting.)

Alaska Pioneer's Homes — Chairman Freeman called the meeting to order and said they would be discussing the Pioneer Home situation. He asked Mr. Dodd to begin his testimony.

Mr. Dodd explained that two years ago a bill and been introduced and an appropriation granted for Pioneer Homes. He said they had been successful in getting things started. Mr. Dodd explained that the House had passed a Bill which appropriated $7 million for a Pioneer Home in Anchorage, but in the Senate $1.75 million was ripped off for Palmer and another $1.75 million was ripped off for Kotzebue. This caused them to run short of money on the Anchorage Home. Thus, they had to do the program in two phases. The first phase would build 42 rooms at $4.25 million. the 150 bed proposal in the second phase they would have to come back to the Legislature for more financing.

Mr. Dodd said they thought it justifiable to ask for the money to complete this at one time rather than delay it for five years. The way costs are going, he said it would probably be 50% more for the second phase five years from now. As far as the Advisory Committee was concerned, they were terribly interested in getting the funds to complete this. He added they would want to avoid, if possible, any amendments that would take from this.

Mr. Dodd went on to say that Kotzebue needs another $540,000 to complete their Home, and the Palmer architect says they are $565,000 short for completing that Home. He thought maybe they should add that into their request or put them in a separate bill in order to keep them from being amended into the Anchorage amount.

Mr. Warwick asked if there was a bill before them on the matter, and Mr. Dodd said not at the present time, but they were hoping that one would be introduced.

Mr. Dodd summed up the amounts needed as: Anchorage Pioneer Home - $6.4 million, Kotzebue Pioneer Home - $540,000, Palmer Pioneer Home - $565,000.

The thought occurred to Mr. Haugen that the two regional high school dorms at Bethel and Nome might be unoccupied now. He was wondering about taking the money out of Kotzebue and putting it into Anchorage and using those unoccupied dorms for temporary Pioneer Homes.

Mr. Gore said that in addition to taking advantage of building while the prices were at their lowest, they were also looking at another need in Anchorage. Four years ago there were 450 people who would have been eligible for admittance into a Pioneers Home there. The first phase was going to provide 42 beds. However, it is also going to provide the service core for the total building. Out of the people eligible in Anchorage, not quite 1/10 will find a place in the Home.

Mr. Freeman asked about the requirements to be eligible. Mr. Gore replied a person had to be 65 years of age and 15 years resident in the territory.

Mr. Freeman asked if there was a financial criteria. Mr. Dodd said no, that if the need was great enough, they would take them. Mr. Gore pointed out that a person can go into the Home and pay his own way if he has the funds. Otherwise the State will pick up the tab.

He went on to say that if a person goes into the Home, the State incurs lean rights based on expenditure for care. At the time this guest should die, the lean rights against him are used. He added that they didn't dispossess his widow from her home, however, should she sell the home, or die herself, then they would exercise their rights.

Mr. Dodd said that would happen only in the event the person didn't pay while he was there.

Mr. Gore noted that Social Security Checks and Pioneers bonus checks were turned over to the administer of the Home and from this his monthly cost is deducted.

Mr. Bradshaw pointed out that there were around 5,000 people in the State who were eligible for admission under the present statute. In addition there were about 2,500 other people in the State 65 or over and he didn't know what percentage of them would become eligible.

Mr. Bradshaw said that if they didn't get the $6.4 million they were requesting now, it could easily end up being more in the future. He felt that everything indicated they should proceed to build now.

Mr. Ose asked if Palmer's extra wing was going to be started this spring. Mr. Bradshaw said that according to the Architect they were $565,000 short of starting.

[Mr. Specking arrived at this time.]

3/8/74

Mr. Freeman asked whether this was bond money, and Mr. Barber told him it was ASHA bonds.

Sen. Groh asked who selected the architects, and Mr. Bradshaw said that it was his understanding that it was the Commissioner of Public Works.

Sen. Groh asked why they had had the two year delay. Mr. Dodd said that for the first year and a half the Architect that had been hired didn't do a thing on it.

Mr. Barber added that the Administration decided that in view of the large expenditure they should have a survey and study of this whole project for the State to see that it was handled properly and this study took a year and a half.

Mr. Bradshaw said that the main thrust of the study was that they couldn't build Pioneer's Homes until somebody said the business was there. This somebody had to be a professional group. The result of the study was that the Pioneer's Home was needed. Then they ran into the second problem. They had thought they had an architect for a year, and then he just threw up his hands and ran away. From the start to the time they actually had an architect working on it, it took one year and eight months.

Sen. Groh asked how much the study cost. Mr. Gore said $25,000.

Mr. Ose asked about the Kotzebue Home. Mr. Dodd said there were problems there. The Advisory Board doesn't really agree with what has happened. It has been designed more as a Community Center than a Pioneer's Home with a snow mobile repair shop, a fish smoking place and a skin tanning area. They already have $1.75 million and they are asking for an additional $540,000 more to complete the 14 beds. He said it was clear out of line as far as he was concerned.

There was much discussion about the Kotzebue Home problem. Mr. Gore had a letter from the Kotzebue City Manager on the subject which he let several members of the Committee read.

Mr. Bradshaw handed out a copy of project cost estimates for the Anchorage Pioneers Home.

There was further discussion of the Kotzebue Home. Sen. Groh suggested that somebody from the Division of Buildings bring plans over for the Kotzebue Home at some future date.

Mr. Gore said they would like the Finance Committee's blessing on the Anchorage Pioneer Home supplemental and to have somebody go ahead and submit a bill asking for additional funds.

Mr. Freeman said that if such a bill came before them they would give it serious consideration.

Chairman Freeman said that the next item on the Agenda was HOUSE BILL NO. 425 (Knik Arm Crossing). However, Commissioner Campbell from the Department of Highways would not be able to attend the meeting, and the sponsor of the bill couldn't make it either. He asked if there was any objection to postponing the bill. There was no objection.

Chairman Freeman told the members there would be a Joint House/Senate Finance meeting at 10:00 the following morning to discuss direction.

ADJOURN

Meeting adjourned at 2:45 P.M.

SENATE FINANCE COMMITTEE
March 11, 1974
9:00 a.m.

Present: Senators Groh, Ray, Palmer, Butrovich, Poland

Senator Kerttula

NATURAL RESOURCE MANAGEMENT & ENVIRONMENTAL CONSERVATION

Public Safety — Commissioner of Public Safety Pat Wellington, Fred M. Woldstad, Deputy Director, Division of Fish & Wildlife Protection; Vona Hall, Fiscal Officer

FISH & WILDLIFE Prot/Enf. — Senator Groh called the meeting to order and stated that the committee will review the Fish & Wildlife Protection/Enforcement BRU.

Senator Groh noted that last year's authorized budget was approximately $1.8 million. This year's request is $2.011 and the Governor recommended $2.041. Sixteen new positions have been requested. Thirteen of these positions is for personnel for the three new vessels which have been requested ("T-boats").

Answering Senator Groh, Commissioner Wellington stated that two of the vessels will be based in Kodiak and one in Ketchikan. The boats are 65 feet long, and are for enforcement purposes.

Senator Palmer said he was concerned about maintenance of the vessels, stating that some one individual should be in charge and responsible for maintenance. Mr. Woldstad replied that the department has a Supervisor and two mechanics who are responsible for all the department's vessels. Senator Palmer asked "What about routine maintenance?" (oil changes, etc.) Mr. Woldstad stated that the Skipper or the engineer would be responsible for seeing that these routine maintenance problems are attended to.

Another matter that concerned Senator Palmer was the days of actual usage of the vessels. Senator Poland said she had spoken with the former skipper of the "Resolution" who had stated that because she was the only vessel in the area they kept her going all the time and were unable to take adequate time to keep her maintained. They felt that having three people would help very much in this respect.

Senator Groh questioned what the range of the T-boats is. Mr. Woldstad said they are now severely limited but their refurbishing plans will provide for additional fuel and fresh water capacity which will considerably extend the range. Their plans are to extend the range so that the vessels could stay at sea for thirty days.

Answering Senator Palmer, Mr. Woldstad said the speed of the boats will be from 11 to 12 knots.

Senator Groh asked why Kotzebue was chosen as the location for one of the new Troopers. Mr. Woldstad explained that presently there is only one Fish and Wildlife officer on the Seward Penninsula, who is now located at Nome. This officer was originally located at Kotzebue, but later transferred to Nome, so they are merely trying to re-establish the Kotzebue position. He stated that the reason the position was transferred in the first place was because of housing problems, etc. which existed in Kotzebue.

Senator Groh questioned the Kenai position. Mr. Woldstad stated that they feel the present staff in Soldotna is not adequate to handle the problems in the Kenai Peninsula, so they are requesting an additional man to work on the Kenai Peninsula. The $5,000 salary difference is an "area" difference because of higher cost-of-living.

Senator Groh asked Commissioner Wellington to comment on the progress of the division since it was transferred from the Department of Fish and Game in March 1972. Commissioner Wellington felt it is working quite well, noting that when the took over the division it was bankrupt and had a lot of problems. He said they have improved the training of the officers considerably by sending them to the Academy. They have added 120 hours of Fish and Wildlife subjects to the Academy's curriculum. He denied an allegation which has often been made that Fish and Wildlife officers assist the State Troopers in their work, saying that more often the reverse is true.

Mr. Wellington remarked that some personnel did quit the division shortly after it was taken over by the Department of Public Safety because of the reforms that were effected; for instance, they established a strong policy against using State facilities for personal hunting, etc., and many things that have gone on in the past.

Commissioner Wellington said one of the improvements that has been made is in the area of coordinating the useage of equipment between the troopers and fish and wildlife.

Senator Poland, responding to Senator Groh, said she felt enforcement in Kodiak has been working very well. She said a majority of the fishermen felt they are getting much more protection now than in the past under Fish and Game.

Senator Kerttula asked Mr. Woldstad to explain the department's policy for getting the enforcement officers into the areas (back up in the hills) during hunting seasons. Mr. Woldstad stated that the policy is much as it has been in the past. He said they attempt to cover these areas as well as they can with the equipment available to them. He said they are working both the fishing and caribou seasons and have used a helicopter last season. He said they have used the helicopter to some extent, but must compete with private enterprise for usage of it.

Senator Kerttula's other concern was that the department not try to hire strictly trooper-types as game wardens, as he felt it takes a different type of person to be a good game warden. Commissioner Wellington pointed out that fish and wildlife officers must take the same test and oral board examinations as the troopers; however, they do not try to make a game warden into a trooper and vice-versa.

Senator Groh asked Senator Palmer to comment on how the division's enforcement is working in the Kenai area. Senator Palmer stated that one of the biggest complaints he has heard voiced is that there is a lack of coordination between the Department of Public Safety and the Fish and Game Department, especially with the biologists who are aware of the problems and should know where money should be expended. He said in every area except Kodiak there has been quite a bit of criticism directed toward the change and the lack of enforcement. He felt there has been some improvement in areas other than commercial fishing. Senator Palmer commented that the improvements that have been made can be attributed largely to the extra funding provided when the transfer was made.

Senator Ray said he felt the department is doing a good job in Southeast Alaska and that the majority of the complaints come from the people who have been caught in violations.

Senator Poland conceded that Kodiak has received a lot of extra attention because of the problems it has experience in the past. Also, the head trooper is a former fisherman who has a real understanding of fishermen's problems and has good communication with the fishermen. She said one of Kodiak's problems is that they share a district attorney with Kenai and he has only a limited amount of time to look at the case.

Director's Office

Senator Groh noted that this budget has decreased from last year's by about $50,000, due to re-structuring of the division. There have been decreases in travel, personal services, and contractual services, and a substantial increase in commodities.

Senator Ray's only comment was that constant restructuring of departments make if difficult to make meaningful comparisons.

Aircraft Section

Senator Groh stated that Mr. Wellington gave him a letter this morning indicating that he needs an additional $35,000 in the commodities line item (code 460) because of the increased cost of gasoline.

Senator Ray suggested that any increase like this should come from the impact budget, since the cost of gasoline is related to the energy shortage.

Senator Groh noted that there are seven people in the department, and one additional position (Sheet Metal Worker) has been requested.

Mr. Woldstad explained that the cost of aviation fuel has risen from 24.5 to 43.5 cents a gallong. This is a 78% increase. He said the budget is based on a year's need for fuel. The Sheet Metal worker is needed because the department has obtained several aircraft which are surplus, and he will assist in re-building these aircraft for the department's use.

There were no further questions on this budget. Senator Groh announced that he would like to take up the employees' pay raise bill, including retroactive pay, at 3:00 p.m. today.

Recess — The committee recessed at 9:40 a.m.

AFTER RECESS
10:55 a.m.

Present: Senators Groh, Ray and Butrovich. From the Office of the Governor, Mr. Jackman, Mr. Adasiak, Mr. Hansen and Mr. Anders. Ron Lind, Budget & Management, was also present.

NATURAL RESOURCE MANAGEMENT & ENVIRONMENTAL CONSERVATION

Office of the Governor
Commercial Fish Entry Commission

Senator Groh called the meeting to order and said the committee would hear testimony regarding the Commercial Fish Entry Commission. He asked Mr. Jackman to give an overview of this program.

Mr. Jackman said the program got underway in July. They had many of the usual problems (such as staffing). He said they had scheduled a series of public hearings around the State to explain the purposes of the program. The public hearings explained the permit system. Mr. Jackman said they received testimony from the fishermen. They have had 18 formal hearings.

Mr. Jackman said they had a statutory obligation to begin issuing interim use permits and a considerable amount of staff work went into the permit issuing procedure. They have issued more than 8,000 interim use permits. Mr. Jackman said they have been successful in this program and have been able to get permits back to the fishermen within a few days.

Mr. Jackman stated that they have also started a program of economic research necessary to make a judgment as to what optimum gear levels would be in terms of economic performance. They have also worked with the Department of Fish and Game to determine from a management point of view what the upper limits on the number of gears will be. Mr. Jackman said that Fish and Game would have to provide them with this information before they can make sound judgments.

Mr. Jackman said their present plans are to indicate in the near future what fisheries will be designated as distress fisheries. Mr. Jackman listed some of the possible areas this would cover adding that they may also add power troll. Once they have decided which areas are to be included, they will have to issue proposed regulations on how they intend to issue permits.

Senator Groh asked if there were 500 fishermen in the State. Mr. Jackman said there are good deal more than this depending on how they treat fishermen who come in and out. He said this figure would be about 5,000 to 7,000.

Senator Groh stated that the Finance Committee was concerned with agencies getting into areas that are covered by other state agencies. He asked what their relationship is with the Dept. of Fish and Game. Mr. Jackman stated the basic source of information (the catch information system) is provided by Fish and Game. He said they are working very closely with Fish and Game on the management related research topics. Mr. Jackman stated that the Commission has no desire to get into the management business. They are totally dependent upon Fish and Game's management judgment recommendations. Mr. Jackman stated that economic research is a new area and they are not able to rely on pre-existing files within the government.

In answer to Senator Groh, Mr. Adasiak stated that they have 26 positions and presently have 21 persons on board.

Senator Ray questioned the 8.6 for overtime. Mr. Jackman said that issuing a large number of permits in time for the opening of the fishing season may create an irregular workload. Mr. Adasiak said that one of the things that had been recommended to them was not to use temporary help to issue the permits. They felt it was better to have people on the job who know the jobs issuing the permits.

Mary Pat Murphy, AP, entered the meeting.

Senator Ray suggested using "comp" time in lieu of overtime. Mr. Adasiak said about one-third of the personnel have elected to take comp time on the overtime that has been worked but for the forthcoming fiscal year they have no way of knowing what the workload will be. Senator Ray suggested that the vacancy and turnover factor could cover this. Mr. Adasiak agreed stating that several of their positions have not been filled.

Senator Ray questioned the large amount for travel -- 52.5. He said when the program was first getting started he could see the need for a great deal of travel but he felt in the forthcoming year it could be reduced. Mr. Jackman said he could see travel reduced in the future fiscal years but not in the next fiscal year. He felt they will have even more of a responsibility (under the statutes) to hold public hearings. Mr. Jackman stated that they did not feel they could responsibly administer this without ample travel money. He said they may have to hold a great many public hearings.

Joe LaRocca, news reporter, entered the meeting.

Senator Palmer entered the meeting.

Senator Groh referred to the budget book which indicated they planned to hold 40 public hearings. He said if they are going to have this many hearings he thought they were going into to much detail.

Mr. Adasiak stated that an amendment to this budget would be forthcoming. The amendment would increase the budget by 18.0 and Mr. Adasiak explained this would be an increase in rent from 32¢ a square foot to 65¢ a square foot. (The building is the old Skinner's Gun Shop building.)

Senator Groh referred to code 380. He asked if they plan to hire private attorneys. Mr. Jackman stated that this is not anticipated. He added that the greatest need would be to hire hearing officers. Senator Groh stated that the committee frowned on hiring private attorneys.

Int'l. No. Pac. Fish Comm.

Mr. Hansen briefly explained the budget for the International North Pacific Fisheries Commission. No questions.

Int'l Fisheries Comm.

Senator Ray asked why the agency request (66.1) is lower than the Governor's request (67.9). Mr. Hansen stated that this was a calculation error.

Pacific Marine Fish Comm.

There were no committee questions on Pacific Marine Fisheries Commission.

Mr. Hansen reported on a recent meeting with the Japanese.

GENERAL GOVERNMENT

Office of Governor Law of the Sea

After a brief discussion on the Law of the Sea, the meeting adjourned at 11:30 p.m.

AFTER RECESS
1:30 P.M.

Present: Senators Groh, Palmer, Poland, Ray.
James W. Brooks, Commissioner; Carl L. Rosier, Director, Division of Commercial Fisheries; Frank Jones, Director, Division of Game; Vern Roberts, Director, Division of Administration; Rupert E. Andrews, Director, Division of Sport Fish; Bob Roys, Director, Division of Fisheries Rehabilitation, Enhancement & Development; Michael C. T. Smith, Chief, Habitat Protection Section; Alex McRea, Chief, Hatchery Services; Department of Fish & Game.
Joe LaRocca, reporter.

Senator Groh called the meeting to order to discuss the budget request from the Dept. of Fish & Game, Natural Resources Management & Environmental Conservation program category, and turned the meeting over to Senator Palmer, chairman of the sub-committee.

NATURAL RESOURCES MANAGEMENT
& ENVIRONMENTAL CONSERVATION
Dept. of Fish & Game

Commercial Fish Research

Sen. Palmer noted the request for Commercial Fish, Research, was $1,409.9 and the Governor's recommendation was $1,224.8. Mr. Brooks stated that the department had not been given a ceiling when developing the original budget request; consequently, various divisions asked for what they felt was needed. The Governor then established budgetary ceilings and the budget review committee listed recommendations, dropping programs in accordance with the list of priorities established by the department.

Sen. Palmer questioned the decrease in Personal Services, to which Mr. Roberts replied the budget request lists actual salary ranges for permanent personnel, taken from a computer run of present positions. There have been some reclassifications downward, and Sen. Palmer requested a list of reclassifications for each BRU. Mr. Roberts said he has a list covering the first six months of FY 74 and the entire year FY 73 which he would provide to the committee. Sen. Ray noted there would be a reduction of 4% in benefits for the decrease, since the division still listed 32 authorized positions.

Sen. Groh questioned transferring the razor clam monitoring program to Economic Development as requested by the administration, and said he felt Economic Development would not know what to do with such a program. Mr. Rosier said they have requested funds for razor clam monitoring as there are now viable fisheries in the Kodiak area. The department is on the verge of signing an agreement with the Departments of Public Safety and Health & Social

Services for the state to join the National Shellfish Sanitation Act. The criteria for entry is to monitor the beaches, and Mr. Rosier said he felt there was a tremendous potential for expansion of the fishery. The market was there but beaches must be monitored. Three beaches are now approved for the harvesting of razor clams: Cordova, Cook Inlet and Swikshak Beach near Kodiak.

Sen. Palmer questioned the pilot project at Cook Inlet where the legislature requested the department to return with a plan to develop and enhance streams to maximum production. The project was not funded last year and Sen. Palmer asked where it was listed in the FY 75 budget request. Mr. Brooks replied that it was not listed; however, the concept was totally in keeping with the department's feeling and he believed the money referred to was incorporated within the activities the department had funded. Mr. Roys stated the inventory and assessment at Cook Inlet had been handled by FRED and Commercial Fisheries. Although there was not much money last year, there was a considerable amount of work done on the Cook Inlet inventory program. Mr. Roys added a summary of observations on this program had been included in the report to the legislature by the department. Mr. Brooks said the Cook Inlet, Bristol Bay escapement research project was an item cut during the budget review hearings last year, but as far as the work that should precede the project he thought that had been incorporated in the study. Sen. Palmer asked how long it would be before results were obtained, to which Mr. Brooks replied the work had been interrupted and the item was not included in the budget prepared by the division involved. Mr. Rosier added the $35,000 requested last year, identified as Cook Inlet inventory, had been lost within the legislature.

Commercial Fish Management

Referring to Commercial Fish, Management, Mr. Rosier said this was a maintenance level budget request. He listed the programs, SE Herring, Tanner Crab, etc., and said they covered rapidly expanding fisheries. Tanner crab state-wide total has more than doubled to 60 million pounds, and the fishing operation extends from one end of Alaska to the other. The department has begun an indexing program for population of Tanner crab, similar to the program for King crab. Sen. Palmer asked if there was an attempt not to over-harvest, to which Mr. Rosier said there was. Herring was basically the same, as they are a resource to manage and the department must take care of it. About 27 million pounds of herring were harvested last year, with an expected increase this year to probably 40 million pounds. The Governor's recommendation reduced the Cook Inlet Herring Project by $9.1.

Sen. Ray noted Personal Services authorized 65 permanent positions but the division had 67. Mr. Roberts thought these were additional temporary positions, to go along with new programs.

Commercial Fish Admin. & Support	Mr. Rosier said the only significant item in Commercial Fish, Administration & Support, was a $20,000 item cut by the Governor. The $20,000 had been requested in Contractual for the purchase of Alaska Department of Fish & Game vessel plates, and had been transferred to Revenue's budget.
Game Invest/ Research	Sen. Palmer referred to Game, Investigation/Research, and Mr. Jones explained the program was funded 25% from the Game Fund, state license fees, and 75% from the federal excise tax on firearms, for a 1 to 3 match. The budget request was for a basically maintenance program, with the exception of new programs. Funding was requested for temporary positions authorized but not funded in FY 74, and temporary positions are requested for FY 75. A Moose Range Rehabilitation project was requested, needed for growth of willows and other food for moose, requiring technicians and some temporary positions.
Game Management	Mr. Jones stated Game, Management, was basically a maintenance program. Temporary positions requested had been reduced by the Governor's budget review committee. Mr. Brooks said the primary source of the increase in Contractual was due to the fact that the department must now charter aircraft. When Enforcement was transferred to the Department of Public Safety, the aircraft was transferred also.
	Sen. Groh questioned a Revised Program approved in October for this division, and Mr. Jones replied an Anchorage firm was the low bidder and was awarded the contract to print Wildlife Habitat.
Game Hunter Safety	Referring to Hunter Safety, Mr. Jones said additional funds have been requested for range work. Prior to this time, the program was to teach youngsters hunter safety and how to handle firearms; however, $10,000 has been requested for back stops, bench rests, etc., for ranges. There is a federal law before Congress which, if passed, would place an excise tax of 10% on hand guns and the state would expect to receive a great deal of money from the federal government. Hand loaders would expect 50% of the money to be used for ranges, added Mr. Jones.
Game Admin. & Support	Sen. Palmer noted there was an increase of $3.6 from FY 74 in Game, Administration & Support, although there was a decrease in personnel. Mr. Jones said last year the legislature cut one position from the office in Juneau and part of the clerical help in Fairbanks.
Sport Fish Research	Mr. Andrews said Sport Fish, Research, reflected a decrease by reducing overtime, and the necessary program will be provided. A Fishery Biologist has been requested for Juneau and three temporary positions have been requested; however, through reclassifications and no overtime Personal Services has been reduced.

Sen. Ray noted funding was all federal funds and Fish & Game money. Mr. Brooks referred to a letter from the Governor advising the Finance Committee there would be additional federal funds available to the state if needed. The Sport Fish program could continue without any additional funding from the state, as the Fish & Game funds would not be increased. Mr. Andrews added the federal funding would be available under the Dingle-Johnson program.

Sport Fish Management

Sen. Palmer noted Sport Fish, Management, decreased about $41,000 from FY 74, to which Mr. Andrews added it was funded from Fish & Game money. Sen. Ray questioned the Vacancy/Turnover in Research of $68,000 and $32,900 in Management. Mr. Andrews replied this was for overtime not used.

Sport Fish Restoration

Sen. Palmer referred to Sport Fish, Restoration, request for $36,200, Governor's recommendation of $33,000. Mr. Andrews said there was a $5,000 decrease in Miscellaneous due to the completion of the Chester Creek project.

Sen. Ray asked why Restoration was a separate element to which Mr. Andrews said to identify the program and what they were doing.

Sport Fish Adm'n. & Support

Sport Fish, Administration & Support, absorbed the program of licensing to 30 year residents over 60 years of age, explained Mr. Andrews, with no increase in the budget.

Hatcheries Kitoi Bay

Alex McRea, Chief, Hatchery Services, stated badly needed maintenance funding had been requested for Kitoi Bay; however, the Governor's budget review committee had transferred the request to the capital improvements budget. The station handled one million fish and eggs, and will have handled about three million at the end of the calendar year.

Fire Lake

Mr. McRea said the funding for Fire Lake was seriously under-funded last year and the station was covered in part by other stations. Hatcheries requested and the Governor allowed a level which would bring the station back to maintenance level and begin a program of adult rearing and spawning facilities. The sizable increase requested would bring the station up to full operation and introduce the new program for stable egg taking sources.

Sen. Ray noted the Governor had included $75,000 of Fish & Game Fund money in this program, to which Mr. McRea said last year the department did emergency egg taking under extremely difficult conditions as a cooperative effort between divisions. Technicians are required in order to allow specialized personnel time for egg taking operations. A Permanent Maintenance Mechanic has also been requested for Fire Lake.

SENATE FINANCE COMMITTEE
March 11, 1974
3:10 p.m.

Present: Senators Groh, Ray, Butrovich, Palmer, Poland

Senator T. Miller, Representative Oral Freeman

Commissioner of Administration Joseph Henri; Pat Hunt, Director Division of Personnel; Ron Lind, Budget and Management; James Cameron, Executive Secretary, APEA;

Joe LaRocca, news reporter

SB 448 thru SB 454

State Emp. Pay Raise

Senator Groh called the meeting to order and announced that the committee will be discussing the state employees' pay bills: Senate Bills Nos. 448 through 454. He stated that the Department of Administration has provided committee members with a list showing the number of state employees in the various units and the amount of money it would take for the retroactive pay.

Senator Groh said he understands that the Commissioner is requesting a $14.470 supplemental appropriation for the retroactive pay, but he has a pot of about $4 million in the 1974 budget. Can't he cut the supplemental request by that $4 million?

Mr. Henri replied that it was not their intent to do that because they wanted the Legislature to explicitly pass judgement on the contract that was signed. He said the $4 million will lapse.

Senator Groh asked if it would be appropriate not to appropriate the $1.854 for the vacant positions. Mr. Henri replied that they would find themselves very short if they did that. He pointed out that a lot of the vacancies are in capital projects of the Highway Department and are paid for with bond funds and federal highway receipts. He said rather than eliminating positions in Highways, they left a shelf of positions to be used as the need arises.

Senator Groh questioned whether any of the $14.470 for the retroactive pay could be ommitted because of vacancy factors. Mr. Henri stated that amount represents full funding--if everyone who worked during that period got retroactive pay, this amount would be sufficient. However, he said there are people who left State employ before February 19 and would not be entitled to retroactive pay. Ron Lind said that they made a reduction of 10% for that. He felt that 10% is the average statewide vacancy.

Senator Ray said he thought the committee could fund the request for $11.5 million and if it runs more than that, a provision could be made that the Commissioner could spend to the full cost factor. He felt we should fund the retroactive pay through January 15 at this.

Senator Groh asked if Mr. Henri thought all the pay raise bills were inter-related to the extent that if we passed on the retroactive pay, we would have to pass on the other six bills (insurance, per diem, etc.). Mr. Henri replied that under the APEA contract, they agreed to "sponsor" retirement, unemployment insurance and per diem for all state employees.

Senator Miller asked if Mr. Henri had checked with the Department of Law on the point of whether the Collective Bargaining Act would prevail over the current statutes setting pay and per diem. Mr. Henri replied that the Legislature has given the administration the right to bargain collectively and if the Legislature funds the request, Collective Bargaining will prevail over the current statutes. Senator Miller stated that he talked to the Attorney General's office Saturday and they were not certain on this point.

Senator Miller posed this question: "If we pass the supplemental (for APEA only), could the Commissioner disburse the money without a statutory change?" Mr. Henri said he could for the salary schedule.

Senator Miller questioned why the State included in the APEA agreement a provision for salary increases for Ranges 24 through 28, when there isn't anyone in APEA in those ranges. Mr. Henri replied that it was just to get a full schedule down. Also, they expect APEA to control the Supervisory Group.

Senator Miller wanted to know if per diem is definitely a part of the agreement. He noted that on page 18 of the agreement, the administration had offered "joint support" for this item.. Mr. Henri replied that the administration sought the support of APEA in getting legislation changed so that all state employees would be treated uniformly for this. It was an oversight that they did not request mutual support on the health insurance. Senator Ray stated that APEA and the administration agreed to mutually support per diem, unemployment insurance and retirement for all state employees.

Representative Freeman entered the meeting.

Senator Palmer asked if Mr. Henri is saying that for the APEA group, the agreement would take precedence over the present statutes. Mr. Henri replied "yes, if you give us the money." He further explained that they would not need separate legislation for either the per diem or the salary schedule if the Legislature funds it.(for APEA employees only). They are asking support for legislation for a statewide per diem adjustment so all state employees will receive the same benefits.

Pursuing the subject, Senator Groh pointed out a section of state law that says per diem shall be $30 for travel outside or inside the state. How can we get around that section? Mr. Henri stated that the Collective Bargaining Statute does not mean anything if we cannot negotiate for those fundamental things. He felt the inference was that the Act would prevail.

Senator Groh also pointed out that the state statute says that the employee must substantially pay for group insurance himself. Is Mr. Henri saying that because we passed the Collective Bargaining Act, that statute was repealed. Mr. Henri replied "yes."

Referring to the gray collar group, Mr. Henri said if that group votes for APEA representation, they will be bound by the terms of the signed APEA agreement.

In an attempt to clarify the testimony, Senator Groh said he understands Mr. Henri is saying that the Public Employees Relations Act (Sec. 23.42.15) in order to mean anything, suggests that administration has the authority to make any agreement and that agreement would supercede the statutes. However, all of these things take money. What does that mean?

Mr. Henri said he thinks it means that the Legislature has the ultimate say if they do not fund it. That is why they set the groups and amounts out separately on the sheet submitted at the meeting. If the Legislature does not like any item, they simply cut out that amount and it gives a clear indication that they do not want it funded. However, if the Legislature cuts the request by a percentage, without indicating what they don't want funded, then the administration would be in a quandary.

Senator Miller asked if Mr. Henri felt there would be a strike if the Legislature did not fund the agreement entirely. Mr. Henri replied "yes." He thought there would be a very strong reaction and possibly a strike. Answering Senator Palmer, he said he emphasized "almost hourly" during negotiations that the Legislature would have to fund the benefits agreed to.

Senator Palmer asked what would happen if the Legislature funded only 60% of each item. Mr. Henri felt the APEA reaction would be that the State Administration would have to pay APEA's benefits fully, and get the money by reducing its workforce and/or cutting out State travel. He said he would expect a lawsuit.

Mr. Henri testified that it is the Labor Relations Agency who says how many bargaining agents there will be. They have said there will be only four groups: Blue Collar, White Collar, Confidential and Supervisory). He said the Supervisory group is now balloting by mail as to whether they will have no representation or APEA. The contract being discussed today is only for the General Government group.

Answering Senator Groh concerning Tri-Trades negotiations, Mr. Henri said the administration and Tri-Trades are still lacking in mutuality on a couple of points.

Senator Miller wanted to know if Mr. Henri was saying that other units are not automatically locked into this contract. Mr. Henri said the gray collar group would be locked into APEA or Tri-Trades depending on which way they go. The Confidential and Supervisory groups will have to be negotiated separately.

Ron Lind explained that it might simplify matters to say that the gray collar unit will become a part of the general government unit or the blue collar unit. It will cease to exist as a separate unit.

Senator Ray said he has the following understanding: If the Legislature lowers the amounts negotiated, Mr. Henri has two alternatives: (1) Approach the negotiating team and seek to re-negotiate by prorating the entire agreement, or (2) Funding everything at the same level only so far as the money will go, and when you run out of money, remove employees. In any event, the agreement must be honored unless APEA agrees otherwise.

Senator Miller asked what Mr. Henri thought is a reasonable time frame for Legislative ratification. Mr. Henri replied that as soon as they announced on February 19 that they had an agreement, employees thought they would have the money by the end of February. He said "the sooner the better". He stated that the administration never represented to the negotiating team when or if it would be forthcoming. He pointed out that the further back they have to go for the retroactive, the harder it will be to administratively reconstruct it.

Responding to an earlier concern of Senator Miller's concerning raises for Ranges 24-28, Mr. Henri commented that the cost of living has gone up for these employees too, and so it seemed like a sensible solution. He said it was the administration's idea and not APEA's to include those ranges.

Senator Ray asked what Mr. Henri's feelings are on negotiating one at a time with four different units. Did he think the settlement with one group serves as a floor, rather than a ceiling, for the next group. Mr. Henri said he did feel it served as a floor for the next group's demands. That is why they wanted as few units as possible and they have argued this with the Labor Relations Agency. Senator Ray asked if there is provision in the act to allow for only one bargaining unit, to which Mr. Henri replied "You could do that and you would save money."

Jim Cameron, Acting Executive Secretary of APEA, said the facts are on the employees side--the cost of living has gone sky high. He said APEA is currently sending out ballots to the other units asking them if they want to accept the general government unit contract or bargain for themselves. He said ballots for the gray collar unit were supposed to be sent last Friday, but they have a temporary restraining order on that ballot filed by Tri-Trades. The hearing on that should be soon.

Answering Senator Ray, Mr. Cameron said he expects their elections will be certified by May 1.

Responding to Senator Groh's question concerning whether or not the Supervisory, Confidential, etc. groups would negotiate separate contracts, Mr. Cameron said that would be their decision.

Senator Miller asked what Mr. Cameron felt would be the reaction of the employees if the Legislature does not fund the whole agreement, salaries and retroactive pay. Mr. Cameron replied that "they will start hanging people" if they do not get it. He said employees are spending their money already. Answering Senator Ray, he said employees generally expect to receive their retroactive pay on the March 30 paycheck.

Senator Miller asked if Mr. Cameron felt that employees understood that the Legislature must appropriate the money, or do they think it is just a question of time. Mr. Cameron replied that a majority of the employees feel they will get the benefits because a contract was signed, and it is up to the State to find the money. Answering Senator Miller, Mr. Cameron said he believed there would be a violent reaction on the part of the employees if they didn't receive all the benefits contained in the contract.

Answering Senator Groh, Mr. Cameron said there are about 4,000 APEA members at the present time. All members received a summary of the contents of the contract with their ballots. He said that 79.38% of the ballots mailed were returned. 3,864 were sent out and only 557 voted not to accept the contract.

Senator Groh remarked that there is some sentiment in the Legislature for repeal of the Collective Bargaining Act. In the event that happened, what did Mr. Cameron anticipate would happen? Mr. Cameron said, speaking as an individual, he felt the State would shut down, because they would have denied State employees any voice whatsoever.

Senator Ray pointed out that the majority of State employees are under Range 16. He cited the big difference in the amount of raise the lowest paid employee would receive, as opposed to the highest ranges. He suggested that some adjustment might be made so the highest paid employees don't get as much of a raise as the lower paid employees.

Senator Miller favored ratifying the agreement, but he did not understand why Ranges 24-28 were included, as APEA has no employees in that range.

Mr. Cameron told the committee that after March 29 the supervisors will determine what they want to do. He said because they are making substantially more money, there is a good chance they may want other benefits instead of higher pay.

Senator Groh announced that the committee will take up the employee pay bills, including retroactive pay, tomorrow after the session. This will allow Senator Lewis to be present.

Adjourn

The committee adjourned at 4:30 p.m.

SENATE FINANCE COMMITTEE
March 12, 1974
8:30 a. m.

Present: Senator Palmer. (Senator Poland and Senator Butrovich arrived later).

From the Department of Natural Resources, Harry Aase, Bill Sacheck and Ted Smith were also present.

NATURAL RESOURCE MANAGEMENT
& ENVIRONMENTAL CONSERVATION

Division of Parks Alaska Conservation Action Corps

Senator Palmer stated that the first BRU to be considered would be the Alaska Conservation Action Corps.

Mr. Ted Smith, Director of the Division of Parks and Recreation, explained the program. There are 8 to 10 kids in each group. These students are ages 14 to 18. There are five groups (2 in Fairbanks, 1 in Anchorage, 1 in Willow and 1 in Juneau). There is one adult in each group and Mr. Smith explained these adults are temporary positions and they try to hire school teachers. He stated that the major thrust of the program is for environmental education.

Mr. Aase explained the funding is on an odd cycle because of federal funding. The program year for the federal government ends October 31. Mr. Smith stated that there is a possibility of added federal funds.

Planning

On the shortform for Planning, Mr. Smith stated that 227.6 shown in contractual services shows the funding for their grant program. This should be in code 700, grants, claims and shared revenue. Mr. Smith said he felt this should have been reflected in their maintenance level but it had been cut in order to stay within their budget. This amount is for grants to local communities for construction and maintenance of trails.

Senator Palmer asked why there was an increase of 1 position in code 100 when the Governor had disallowed the requested new position (Park Planner III). Mr. Smith explained this increase in positions is due to the fact that one position previously funded in the capital budget had been transferred to the operating budget.

Maintenance & Operation Mat-su District

The Mat-su District had increased (139.4 in FY 74, 161.8 Governor's request for FY 75) because of new facilities coming on line, Mr. Smith said.

In answer to Senator Palmer, Mr. Smith said the new position (Laborer) and two other positions (for garbage pickup) would be used for Denali Park.

Senator Palmer asked if the rising.cost of gasoline would affect this budget. Mr. Smith said yes. He added that he planned to switch to contractual services for garbage in any areas where there are garbage operators. Senator Palmer suggested contracting with homesteaders for garbage pickups. Mr. Smith said they had tried this but it did not work.

Mr. Smith said that Denali Park will open about July or August.

Chugach District — Mr. Smith explained that the park rangers would be selling decals while the PEP employee would be running the garbage program.

Senator Palmer asked for a list of all the positions reclassified in 1973 and the first part of 1974. This list is to cover the entire Department budget.

Kenai-Kodiak — Mr. Smith said the biggest change in this area is the Captain Cook Recreation Area coming on line. Part of this was opened last season. The rest of the area will open in mid-summer. This is 85 camping spots and 45 picnicing spots.

Southeast District — Mr. Smith said the Southeast District leaned heavily on the PEP program. The increase in this program is to convert the PEP employees to state positions. Mr. Aase said they have estimated that the PEP program will last until the end of April. But he pointed out that this program changes from "day to day."

Senator Butrovich entered the meeting.

Senator Palmer asked about the fee system. This is a $10 annual fee required for using any of the state parks. Mr. Smith said the potential of this program is "around 1/2 million."

Copper Basin District — No questions on the Copper Basin District.

Senator Poland entered the meeting.

Interior District — Senator Palmer asked why they did not have new positions to replace PEP employees in the Interior District budget.

Mr. Smith said they had better luck in hiring temporary positions. He said they had a Clerk at Hardy Lake and this positions was shifted to a fully time position at Fairbanks.

Administration & Support — Mr. Smith said basically this budget has not changed. (FY 74 authorized 35.8; Governor's request for FY 75 37.9)

Facility Design — Mr. Smith stated that this is where most of the capital improvement activity occurs.

Historic Preservation — 4.0 has been added to the agency request for the Histrocial Marker Program. Mr. Smith stated that this is a good program and is matched 50-50 with federal funds. He said so far about 3,000 historical and archaeological sites have been identified. The State Park Archaeologist had been disallowed by the Governor but Mr. Smith said he felt they would be able to fund this position (with reimbursable funds received for defining sites).

Administration — The agency requested two new positions (Administrative Assistant II and Clerk Typist II). The Governor allowed only the Administrative Assistant.

Land Use Planning — Mr. Smith said there is legislation before Congress on land use planning. This new bill may have 70-30 or 80-20 matching. He said the objectives of this new program are essentially the same as what they have now. Mr. Smith felt the state should receiving funding at the same level that is currently being considered by Congress.

Senator Palmer asked why personal services had not dropped when they had dropped a position. (FY 74 authorized 170.4; Governor's request for FY 75 169.3) Mr. Aase stated that they were badly underfunded this year (by about $20,000). This was because they had budgeted their positions at step A and most of their positions transferred in at higher ranges.

Forest Management

Fire Protection & Suppression — Mr. Sacheck explained that until a year ago the State's fire protection had been handled through a contract. A change has become necessary because of the Native Land Claims Act, and the increased interest in protecting the environment. Along with this came directions that BLM has spread itself so thin they were insisting that the State take action to handle its own fire protection. Mr. Sacheck said they had set up a "phase in, phase out" schedule where they agreed to take over this program. This year the State will farm out their people to BLM for training (the State will not be obligated to house them) with the idea that in 1975 the State will begin some construction.

Mr. Sacheck stated that when they need aircraft they will have an agreement with BLM for this. The State plans to have people on board instead of aircraft with the idea that the people can be used for cleaning up parks in the State.

A discussion followed on the aerial photo contract for the Kenai Peninsula.

Recess: The meeting recessed at 9:55 a.m.

AFTER RECESS
10:35 a.m.

Present: All Senate Finance Committee members except Senator Sackett. Senator T. Miller and Senator Kerttula; Elaine Mitchell, Alaska Educational Broadcasting; Mary Pat Murphy and John Greely, AP; Mr. Don Dickey and Mr. Cameron, APEA, were also present.

STATE EMPLOYEE BILLS

Senator Groh called the meeting to order and said the committee would consider the State Employee legislation (SB 448 through SB 454).

Senator Groh referred to a letter from Myrt Charney, Director of the Division of Budget & Management. The letter, dated March 12, 1974 estimated that $4,500,000 in FY 74 funds would lapse as a result of the reserve for excess PERS funding. The letter also indicated that a lapse of $2,000,000 would be a reasonable figure for the vacancy reserves.

Senator Groh gave a brief explanation of the bills for the benefit of Senator Lewis(who had been absent during a previous hearing). Senator Groh stated that the package totals $45.7 million.

SB 451

Senator Ray moved to amend SB 451 (retroactive pay increase) to $8 million with the additional $4.5 to come from the PERS reserve and another $2 million in the estimated lapse in the vacancy reserve.

Senator T. Miller pointed out that the reserve in PERS shows the retirement bill is not costing what was appropriated. Mr. K. Dawson stated that they had found the retirement system has too much put in it -- it cost 4% less than what was appropriated.

Senator Groh stated that if they act on SB 451 they should appropriate the total $14,700,000 and indicate $6,500,000 is to come from the two reserves. Mr. Dawson said there might be a funding problem with the $2 million reserve because of federal funds involved. Senator Ray suggested this could be solved by having the staff add another section to the bill stating that if this is not sufficient to cover the amount it will still be funded.

Senator Groh said that if this supplemental is approved there would be very little likelihood of not including all of the same benefits in SB 448. He added that by appropriating the $14.4 million they would not necessarily be covering the unemployment insurance and the additional retirement coverage.

Senator Groh stated that at the request of Senator Butrovich a bill had been prepared repealing the public employees relation act. Senator Poland asked if Senator Butrovich planned to write another bill for negotiating. Senator Butrovich said no, he wanted to go back to the old system. Senator Butrovich said he was not going to argue about the validity of the contract but he was attempting to repeal the act.

Senator Lewis asked Senator Groh about the contract. Senator Groh said this is subject to some ambiguity. His personal opinion is that this is subject to funding by the legislature. He said that it was his feeling the legislature could determine this is too much, they could change the fringe benefits or reduce the retroactive funding. He said it was his understanding the legislature has the final authority on the money. Senator Groh added that members of the administration (at an earlier meeting) had commented that if this is the case the public employees relationship act is meaningless.

Senator Palmer said he was not willing to concede the point made by Commissioner Henri that this negotiation takes precedent over state law. He said if they pass this bill out they are approving this and added that he was not willing to take this step.

Senator T. Miller said he thought the Committee should look at the hard practicality of the situation. He said they do have the collective bargaining act and they have an agreement. Senator Miller said that there would be substantial labor unrest if they did not approve it. He added that if the legislature feels they have made a mistake then they could work on repealing the act. (Senator Miller added that he did not agree with repealing this).

Senator Groh said that there had been some disagreement between Mr. Cameron and Commissioner Henri. Mr. Cameron indicates that other groups (confidential, supervisory, and gray collar) are going to negotiate separate contracts in the future. Mr. Henri indicates if any of these groups join APEA they will be locked into this existing agreement.

Senator Miller said that he believed the administration is committed to the contract. Senator Ray agreed.

Senator Kerttula stated that an alternative would be to bring in a substantial tax package to help fund this. This was briefly discussed but most committee members expressed strong opposition.

Senator Ray said he thought they were compelled to give the state employees some kind of relief. He spoke on the rising cost of living and said that he felt they should pass at least the retroactive part from July, 1973 to January, 1974. Senator Ray said this would cost $3.3 million and had nothing to do with fringe benefits. Senator Ray said that Mr. Cameron had indicated these employees are expecting this retroactive money on April 1.

Senator Miller said that in the teachers' contracts this had been forced on school districts and boroughs and he felt the same thing was now being forced on the legislature. Senator Miller said that there had been no agonizing on the teachers' contracts and now they were applying this same force to themselves. Senator Miller stated that he felt this issue should be decided by the entire Senate.

After a brief discussion, Senator Ray moved to pass out SB 451 with individual recommendations. Senator Lewis object stating that he was not ready to put any recommendation on the bill.

Senator Palmer moved to amend the motion to include only the 6% retroactive pay increase ($3,386,600).

Senator Palmer withdrew his amendment.

Senator Butrovich stated that he would vote against bringing the whole package out.

The motion failed 2 to 4 (Senator Ray and Senator Poland voting for passage).

Senator Ray moved and asked unanimous consent that the committee pass out SB 451 with only the 6% retroactive pay increase ($3,386,600). Senator Lewis amended this motion to pass SB 451 from committee with individual recommendations.

Senator Miller said he did not feel this should be handled in this manner -- he thought the full Senate should make this decision.

Senator Lewis asked how this bill would go out if the motion passed. Senator Groh stated that everything under line 14 of page 1 of SB 451 would be -0-. The staff would decide on the source of funding for the $3,386,600.

Senator Groh stated that if they pass out SB 451 they would also have to pass out SB 449, SB 450, SB 452 and SB 454.

Senator Butrovich stated that he would vote against moving it out.

The motion failed 2 to 4 (Senator Ray and Senator Poland voting for passage).

Senator Groh stated that a bill had been prepared which amends the employee relations act. There was a section in the bill which preserved existing contracts with boroughs or political subdivisions.

Senator Butrovich moved to have this bill introduced by the Finance Committee. Senator Ray objected. The motion carried 4 to 2 (Senator Ray and Senator Poland voting no).

Senator Miller said he felt there was a "terrible time crunch" and this was not the answer to the problem. He said there is a contract before them and he felt it should be honored. Senator Miller said the decision is not going to get easier and a lot could be lost by delaying this. Senator Ray agreed with Senator Miller stating that he thought the committee had made a mistake.

Senator Groh explained that the committee will continue to work on these bills. He said the majority of the committee felt they needed some additional time for this subject.

Recess: The meeting recessed at 11:45 a.m.

JOINT SENATE & HOUSE FINANCE COMMITTEES
March 12, 1974
Tuesday
1:40 p.m.

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

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

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

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

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

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

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

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

U of A

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

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

President Hiatt told the Committees that he is aware of the financial "pinch" the state will be in until pipeline construction is completed and the oil is flowing. Because of this fact, the University of Alaska has not requested, to any considerable extent, any new programs; the budget is already $4.5 million below the maintenance level which was approved by the Board of Regents.

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

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

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

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

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

President Hiatt then presented a brief overview of the Fairbanks campus. He said that there is a drop of 12% in student credit hours produced this year (the guideline used to determine the rate of instructional operation). President Hiatt said he could not explain the reduction, because it could be due to a number of factors such as the increasing popularity of community colleges, the lifting of the draft, etc.

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

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

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

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

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

Using the credit hour production as an index must be used with caution. President Hiatt said that many aspects must be taken into consideration: the faculty must be qualified in relation to the level of instruction; a determination must be made as to whether the instructional area is a high-cost or low-cost area; and in terms of program development, is the institution mature, or is it in the early stages of development? Fairbanks maintains 57 programs leading to a baccalaureate degree as compared to Anchorage which has only 20 programs which lead to a baccalaureate degree.

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

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

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

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

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

President Hiatt then told the Committees about the University's request for a Community College in Fairbanks. This request was cut out of the budget, but a bill has been introduced to develop such a facility. He stated that the facility was necessary for that area; 20% of the total graduates from high schools in the Fairbanks area attend the University in Fairbanks. The remaining 80% consists of those attending other schools (10%) and those who terminate their education upon high school graduation (70%). President Hiatt pointed out that many high school graduates wait anywhere from two to fifteen years to decide whether or not to continue their education. Some are discouraged because their grade point averages from high school don't meet the requirements of universities, but a community college facility which will accommodate all ages and programs would allow these people a chance to further their education, build up their gpa, and then continue in a senior college if they so wish.

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

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

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

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