HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2632

SENATE FINANCE COMMITTEE MINUTES

INDEX

SENATE FINANCE COMMITTEE
June 18, 1974
9:25 A.M.

Present: All members with the exception of Senator Lewis. Members of the Senate and press. Larry Jones, Office of the Governor; Wayne Weeks, Division of Budget & Management.

SCR 1 Senator Groh called the meeting to order and brought SENATE CONCURRENT RESOLUTION NO. 1 (Relating to the issuance of bonds to finance mortgage loans for residential housing by the Alaska Housing Finance Corporation) before the committee. Sen. Groh briefly reviewed the background and intent of SCR 1. Sen. Ray moved and asked unanimous consent to report SCR 1 from committee with individual recommendations. No objection, so ordered.

SB 4 SENATE BILL NO. 4 (An Act making a special appropriation to the Office of the Governor for the lieutenant governor) was brought before the committee. Sen. Groh reviewed SB 4; Sen. Ray moved and asked unanimous consent to report SB 4 from committee with individual recommendations. No objection, so ordered.

SB 3 SENATE BILL NO. 3 (An Act making special appropriations to carry out the provisions of ch. 76 SLA 1974) was brought before the committee. Sen. Groh reviewed SB 3 and asked if the $174,500 cost for publishing the candidate pamphlet was correct. Larry Jones replied it was; one factor which increased the cost was that each candidate was to have one page (as required by ch. 76 SLA 1974). Mr. Jones testified that the smallest election district (later corrected to the largest election district) would require an 88 page pamphlet. Sen. Ray asked the cost of the Alaska Blue Book, and the reply was $12,000. Sen. Ray stated $174,500 for the election pamphlet was excessive and he would not support this. Mr. Jones said a breakdown of costs was as follows: printing - $80,000, postage - $90,000, computer time - $2,200, miscellaneous - $2,300. Timing was critical, as the candidates must submit their information 60 days before the general election and the Lt. Governor's office must mail out the pamphlet 30 days before the election. Sen. Croft stated this concept was done in Washington and Oregon with some success; however, the pamphlets in Oregon were printed on low quality paper and he believed the process could be done cheaper.

Sen. Groh referred to Section 1 requesting $352,000 for the Lt. Governor's office to implement ch. 76 SLA 1974, and questioned the high cost. Sen. Groh reviewed the budget request and listed the personnel required, including a considerable number of administrative assistants. Larry Jones said an office would be established for each Senate district, and the thought was the capabilities of administrative assistants were needed to establish these offices. Sen. Ray suggested they could use existing election offices, and Sen.

Kerttula said additional clerical help could handle much of the work. Sen. Sackett asked what work would be done in a year when no elections were scheduled; to which Larry Jones replied municipal elections were included in the bill. Sen. Palmer asked if the bill stated that each office must be permanently staffed; to which Larry Jones replied the bill did not so state.

Sen. Ray asked if the legislature could propose amendments to the existing law to make appropriate changes. Sen. Groh stated the committee would need an opinion on this subject from the Attorney General or Legislative Affairs; however, he added the offices would not be staffed if funds were not granted. Sen. Ray said many state agencies now follow the law and return to the legislature with supplemental requests, and the Lt. Governor's office has previously submitted supplemental requests due to obligations in accordance with the law. Sen. Ray asked for parliamentary inquiry as to the scope of the responsibilities of the legislature, and requested that action be deferred until this question could be resolved.

Sen. Groh asked for a revised budget from the Lt. Governor's office at a more realistic figure. Clerical help could replace the administrative assistants requested, and existing offices used under contractual arrangements.

Sen. Thomas requested information on requirements for existing candidates, and asked for the Attorney General's official position on what candidates should do. Mr. Jones said the only action taken thus far by the Lt. Governor's office has been to request the name of the campaign treasurer for each candidate, which name has been placed in the file.

Sen. Groh asked the staff to prepare a revised budget and return to the committee in the afternoon with more realistic figures.

The meeting recessed at 10:00 A.M.

AFTER RECESS
10:15 A.M.

SB 1 Sen. Groh called the meeting to order and brought SENATE BILL NO. 1 (An Act providing emergency financial assistance for oil-development-impacted municipalities) before the committee. Copies of HCS CS SB 382 (passed during the regular session of the legislature) and copies of the Governor's veto message were distributed to those present.

Sen. Groh referred to Sec. 2, line 16, of SB 1 and reviewed this section pertaining to discretionary grants. Sub-section (b) of SB 1 stated that grants made under this section could be expended only for municipal operating expenditures, and the committee discussed this limitation. Sen. Miller noted education had been included in SB 382. Sen. Groh then referred to page 2, line 3, and questioned the word "indirectly", used to pertain to current municipal tax rates. Sen. Palmer asked if the key word in this subsection would not be "current." Sen. Ray questioned if the intent of the committee was to investigate the legal structure of the bill passed and make a determination about the use of money by the Anchorage Borough. Sen. Sackett then questioned if the legislature could over-ride the Governor's veto on the original bill (HCS CS SB 382). Sen. Groh replied it was his opinion that the legislature did have the power to consider over-riding the Governor's veto. Sen. Ray asked if the legislature had the legal stand to ask the Anchorage Borough to return the money. Sen. Miller said he believed the grant was made without any strings attached, and subsequent grants would be reviewed. Sen. Groh explained the total amount of $10 million was granted, with no restrictions on the use of the money; however, the legislature did not feel it was intended to reduce taxes and should be used for pipeline impact.

Sen. Groh returned to an analysis of SB 1 and noted the bill that passed the legislature included an amendment for hospital facilities which was not included in SB 1.

The committee questioned whether a legislative committee should be included for allocation of funds. Sen. Miller said there should be some type of legislative over-view, and the committee discussed the Governor's reaction to this special committee and to the Budget & Audit Committee. Sen. Miller said the legislation could delete "in part" when referring to review by a legislative committee as a compromise. Sen. Rader said he had suggested to Byron Mallott that the legislative committee was unconstitutional; however, the leadership in the Senate and the Governor wanted a committee. He felt there would be no difference between such a committee and the Budget & Audit Committee. Sen. Thomas noted standards were "watered down" in SB 1 by the addition of population growth, etc., as there were no such provisions in SB 382.

The meeting recessed at 10:45 A.M.

AFTER RECESS
11:15 A.M.

Sen. Groh called the meeting to order and announced that Byron Mallott, Commissioner, Department of Community & Regional Affairs, would appear before the committee at 2:00 P.M. to testify on SB 1.

SB 1 Discussion continued on SENATE BILL NO. 1 (An Act providing emergency financial assistance for oil-development-impacted municipalities). Sen. Rader referred to the Governor's original bill from the regular session which included a provision that grants would be "subject to approval by the Budget & Audit Committee." Sen. Silides asked the committee to consider operating expenditures, since this was his concern with the legislation. Sen. Rader suggested the committee return to the bill which was reported from his committee during the regular session, which would limit grants to current demonstrable needs. Other funds would be allocated on a loan basis, since municipalities should receive great economic benefit over the long run. Sen. Rader concluded by saying this would prevent people from coming to the state for open-end assistance. Sen. Ray noted the state had never asked communities to repay loans.

Discussion continued, and Sen. Miller asked that the committee address only the problems they were currently facing in order to keep within the time-table. Sen. Ray said he believed it would be a bad idea to return to the Budget & Audit Committee concept, since they were not doing their job adequately now. He thought the best thing would be to have a pipeline impact committee with membership restricted to those from unimpacted areas. Sen. Butrovich said he also was concerned about the Budget & Audit Committee since they now had problems getting a quorem. He added that once the pipeline was built Fairbanks would have no problem; however, they were currently impacted and an additional 1,000 students were expected over and above the original estimate. Sen. Butrovich favored the concept of the bill previously passed.

Sen. Groh summarized the questions facing the committee which included the kind of tests which would be used for communities requesting funds, whether funds could be used only for operating expenditures, and legislative over-view. He added that S.B. 2 dealt with the amount of money. The committee agreed to return at 2:00 P.M. for further discussion and to hear testimony from Byron Mallott.

The meeting recessed at 11:30 A.M.

AFTER RECESS
2:05 P.M.

Present: All members with the exception of Sen. Lewis. Members of the Senate and press. Byron Mallott, Commissioner, Department of Community & Regional Affairs; Norman Gorsuch, Attorney General; Stanley T. Fisher, Office of the Attorney General.

SB 1 Sen. Groh called the meeting to order for further consideration of SENATE BILL NO. 1 (An Act providing emergency financial assistance for oil-development-impacted municipalities).

Sen. Groh asked Byron Mallott for his general comments on SB 1. Mr. Mallott said there were many details the same as SB 382; however, a qualifying section had been added for municipalities in Sec. 2 pertaining to population growth rate as it was believed there was a direct correlation between impact and population growth. Sen. Kerttula noted that Palmer has impact problems but they would not be reflected under this population growth rate provision. Sen. Groh asked if the administration would oppose deletion of this provision, to which Mr. Mallott replied he personally would see no difficulty by deletion of this section.

Sen. Groh referred to sub-section (d) and noted this was an addition. Mr. Mallott said the administration tried to make this workable through the addition of Sec. 4, Accountability for Grants. Taxpayers may say the level of service they can provide but could not use the grants directly or indirectly to reduce current municipal tax rates. Sen. Rader noted there could be a taxpayers' revolt and a five mill limit set, and asked if the department would then approve a grant. Mr. Mallott said they would since the alternative would be to place a state-wide level on taxation by local governments. Sen. Rader asked if the department had received applications from new communities, to which Mr. Mallott replied they had. Discussion continued on qualifying for grants by communities.

Sen. Lewis joined the meeting at 2:25 P.M.

Sen. Groh noted there was no provision for educational expenditures and asked if this would be included. Mr. Mallott said this would be; however, the committee could add language to this bill the same as in SB 382 with no problem.

Sen. Groh said SB 382 had a provision for comprehensive health planning and asked if addition of such a provision in SB 1 would be a problem. Mr. Mallott said it would not.

Sen. Groh stated the final question was on legislative over-view. Stanley T. Fisher from the Attorney General's office said there were some distinctions between the language in the original proposal and the language in the bill eventually passed. The administration's original proposal was not considered in all the depth it should have received, added Mr. Fisher, and upon closer reflection the administration decided it was a mistake to submit that type of proposal. Distinctions between the original proposal and the bill passed by the legislature included a far greater involvement by the legislature under the bill passed. Sen. Groh asked if there would be objection from the administration if the language were changed to be identical with the original proposal by the Governor. Mr. Fisher said from a legal point of view, the Budget & Audit Committee and/or a special pipeline impact committee could be unconstitutional. The legislature may serve as a advisory function, but to appropriate funds subject to review by a legislative committee would be unconstitutional. There was a serious question of the constitutionality of the Budget & Audit Committee, since the legislature may appropriate money and may set up standards, but once the money was appropriated the matter is out of legislative hands. They could audit, but could not, in effect, determine standards upon which a grant may be made, continued Mr. Fisher. That is the executive function. Committee discussion followed.

Sen. Groh asked if there was any circumstance where there could be legislative over-view of impact funds, to which Mr. Gorsuch said possibly they could set up an advisory committee with nominal input. Sen. Ray asked if the administration would be adverse to a committee of members of the legislature who would approve or disapprove grants, without the power to make any changes. Mr. Gorsuch said the administration would be adverse to any veto role by the committee; however, an audit function or advisory role would be acceptable. Sen. Ray asked if the legislative committee could make recommendations to the Governor prior to the awarding of grants. Mr. Gorsuch said that would be acceptable. Sen. Palmer asked if the positions stated by Mr. Gorsuch were the Governor's or if Mr. Gorsuch was speaking from a legal standpoint. Mr. Gorsuch said he was speaking as the Governor's legal advisor.

Sen. Butrovich asked how the pipeline impact committee was able to operate. Mr. Gorsuch said an appropriation was made to this committee for investigation and analysis of conditions resulting from construction of the pipeline. In no way was this committee overseeing or advising any part of the executive branch. Sen. Groh said that in order for the executive branch to shift funds, approval is required from the Budget & Audit Committee, and he asked the distinction between the Budget & Audit Committee and a committee to oversee oil-development-impacted municipality grants. Mr. Gorsuch said the Budget & Audit Committee was an accommodation to the legislature by the Governor. Perhaps there was some justification for legislative involvement on federal monies received by the state; however, the function of approval for line item changes might well be unconstitutional. The fact that this has continued for months or even years does not change this fact, added Mr. Gorsuch.

The meeting recessed at 3:10 P.M.

AFTER RECESS
3:30 P.M.

Present: All members. Members of the Senate and press. Ed Anders, Office of the Governor; Myrton Charney, Wayne Weeks, Division of Budget & Management.

SB 3 Sen. Groh called the meeting to order for further consideration of SENATE BILL NO. 3 (An Act making special appropriations to carry out the provisions of ch. 76 SLA 1974). The Office of the Governor had been requested to submit a reduced budget for the Lt. Governor's office regarding the Alaska Election Campaign Commission, and Sen. Groh stated the reply had been that the finance committee could modify the budget request if they so desired; however, the Office of the Governor would ride with the original budget request. Mr. Anders said it was felt the level of funding originally presented was necessary for the type of work required under the Act. Administrative assistants were necessary for the level of professionalism and competency required, and part-time or contractual help would not be able to handle the job, added Mr. Anders. Replying to questions from the committee, Mr. Anders said he did not know the job functions of the new personnel requested.

Committee discussion followed. Sen. Palmer moved and asked unanimous consent to use the budget figures prepared by the Legislative Finance staff, to which Sen. Groh objected. Upon vote, Sen. Palmer's motion carried. Sen. Palmer then moved and asked unanimous consent to report Committee Substitute for Senate Bill No. 3 from committee with the revised figures. No objection, so ordered.

SB 1 Mr. Mallott, Commissioner, Department of Community & Regional Affairs, returned to the meeting. Sen. Groh distributed copies of a draft for a Finance Committee Substitute for Senate Bill No. 1. The committee reviewed the proposed changes.

Mr. Mallott questioned whether educational expenditures were for capital expenditures or operating expenditures. He noted the deletion of the population growth range was acceptable, but said the Committee Substitute was a vetoable bill by inclusion of the special committee.

Sen. Ray moved and asked unanimous consent to report the committee substitute out with individual recommendations; to which Sen. Butrovich objected. Sen. Butrovich stated he did not envision construction of permanent schools, but would want construction funds for relocatable classrooms.

The meeting recessed at 4:00 P.M.

AFTER RECESS
4:10 P.M.

SB 1 Sen. Groh called the meeting to order for further consideration of SB 1.

Referring to the draft of the committee substitute, Sen. Groh asked that Sec. 11 be striken and the language from the original Governor's bill (HB 505) be inserted. Sen. Ray asked if it was Sen. Groh's position that if the Budget & Audit Committee was constitutional, then another committee would also be constitutional. Sen. Groh said that was his position. Sen. Lewis moved the Budget & Audit Committee be substituted rather than the Special Legislative Pipeline Impact Review Committee. Upon vote, Sen. Lewis' motion failed. Sen. Groh moved to amend the committee substitute as originally proposed, which motion passed by a vote of 4 to 3.

Sen. Butrovich returned to the question of relocatable classroom funds, and the committee discussed how and where this should be included in the committee substitute.

Sen. Meland asked if Sitka would be eligible for a grant due to the air terminal move, which move was planned in order to have surveillance of the tanker route. Sen. Meland requested a feasibility study for a new hydro-electric plant, since the air terminal would create a shortage of electricity. Mr. Mallott replied that he suspected Sitka would qualify if the principal reason for movement of the air terminal was for surveillance of the tanker route, and a feasibility study would come under contractual services.

Sen. Groh moved and asked unanimous consent to amend the language in the committee substitute to "municipal and educational operating expenditures". No objection, so ordered. Sen. Palmer clarified that the legislature did not intend to pay for these expenses twice, under pupil enrollment and through grants.

Sen. Groh moved and asked unanimous consent for two technical amendments: inserting an "and" on page 4 and deleting an "s" on page 3. No objection, so ordered.

Committee discussion continued, and Sen. Poland asked for a definition of oil development related need. Will negative impact be accepted as well as positive impact? In speaking to Mr. Mallott, he had said only positive impact would be considered, and Kodiak would not be eligible under these standards. Mr. Mallott said it became clear to him during the regular session that the legislation only attempted to address positive impact in terms of population growth, etc. Sen. Palmer suggested the state income tax be reduced. Sen. Groh noted by a broad definition, the entire state government will receive impact; however, this legislation would only deal with positive impact.

Sen. Ray moved to exclude capital improvements except for relocatable classrooms. Upon vote, motion failed. Sen. Ray amended his motion to include the $20,000 provision as in the original bill, and Sen. Groh restated the motion to add relocatable classrooms. Motion carried.

Sen. Ray referred to page 2, line 7 of the committee substitute draft and moved and asked unanimous consent to delete sub-section (b). Sen. Groh asked if the deletion would present any problems to Mr. Mallott, to which he replied there would be no problem with the deletion since the interim nature of this legislation had been established. There was no objection to Sen. Ray's motion and (b) was deleted.

Sen. Ray moved and asked unanimous consent to report Committee Substitute for Senate Bill No. 1 from committee with individual recommendations. Motion carried.

SB 2 SENATE BILL NO. 2 (An Act making special appropriations for financial assistance to oil-development-impacted municipalities and for extraordinary state services) was brought before the committee.

Sen. Ray moved to delete Section 3. Sen. Palmer moved to delete the portion of Section 3 after the word "impact" on line 19. Both motions failed.

Sen. Ray moved to report SB 2 from committee with individual recommendations and inclusion of $100,000 for the Alaska Plan Committee. Sen. Sackett spoke in favor of this appropriation to the Alaska Plan Committee in order to give local hire priority on pipeline work. Sen. Lewis asked if this wouldn't be the function of the Department of Labor, to which Sen. Sackett replied the administration has always supported the Alaska Plan. Upon vote, the committee agreed to include $100,000 for the Alaska Plan and have a committee substitute drawn up.

Sen. Ray moved to report Committee Substitute for Senate Bill No. 2 from committee with individual recommendations; motion carried.

The meeting adjourned at 5:10 P.M.

SENATE FINANCE COMMITTEE
June 19, 1974
3:15 P.M.

Present: All members with the exception of Senators Butrovich and Ray. Members of the Senate and press.

HB 9 — Sen. Groh called the meeting to order for consideration of HOUSE BILL NO. 9 (An Act making a supplementary appropriation to the Legislative Affairs Agency). Sen. Groh moved and asked unanimous consent to report HB 9 from committee with a "do pass" recommendation. No objection, so ordered.

HB 8 am — HOUSE BILL NO. 8 am (An Act relating to the Bristol Bay Regional Development Council) was brought before the committee. Sen. Groh analyzed the changes in the amended version of the bill.

Sen. Butrovich joined the meeting at 3:20 P.M.

The committee discussed the changes. Senator Lewis asked what changes would occur by passage of this legislation; to which Sen. Hohman replied it would create a regional development area. Sen. Hohman then questioned if this would qualify the area for funds from the federal government. Sen. Groh said it would. Sen. Sackett moved to report HB 8 am from committee with individual recommendations. Motion carried.

Sen. Ray joined the meeting at 3:25 P.M.

HB 7 am — HOUSE BILL NO. 7 am (An Act making a special appropriation to the Department of Community and Regional Affairs for development projects in the Bristol Bay region, and for the support of the Bristol Bay Regional Development Council; and an appropriation to the Department of Fish and Game for rehabilitation of the Bristol Bay fishery) was brought before the committee. Sen. Groh noted the House amended version of HB 7 added $1,500,000 to the Department of Fish and Game for rehabilitation of fisheries or fishery industries in the Bristol Bay area. Sen. Hohman said this bill would have been referred to the Resources Committee during a regular session; had it been he would have requested testimony from the Department of Fish & Game. It was also noted that testimony could be heard from Rep. Joe McGill, and the committee decided to call these people for testimony.

The meeting recessed at 3:30 P.M.

AFTER RECESS
3:40 P.M.

Present: All members with the exception of Sen. Ray. Representative Joe McGill; James W. Brooks, Commissioner, Department of Fish & Game; members of the Senate and press.

HB 7 am Sen. Groh called the meeting to order and asked Rep. McGill for comments on HB 7 am. Rep. McGill explained the House added $1,500,000 as disaster money to aid the Department of Fish & Game in rehabilitation of fisheries in the Bristol Bay area. Money appropriated for hatchery development was insufficient, continued Rep. McGill, and he would like to see work begun in this area as it would be a worthwhile project. Money was funded for a Snake Lake hatchery, but it was insufficient. Under a forced account, work could start this year and local people could be hired.

Sen. Butrovich asked if the Department of Fish & Game was geared up to do the work, since technical people would be needed. Mr. Brooks was asked for his comments.

Commissioner Brooks said the first emphasis upon receipt of the money would be to accelerate and expand those projects on the drawing board; those that the department thought held the best promise of resulting in maximum benefit to the fishery. The Snake Lake and Bescharof Lake rehabilitation projects could be started. In addition, Mr. Brooks said he would like to see the Bristol Bay fishery more diversified rather than being tied strictly to salmon; for example, herring, bottom fish and crab could be explored for their commercial value. People should be encouraged to go out and explore these other sources which could yield a highly beneficial return, concluded Mr. Brooks.

Sen. Groh asked if the Bristol Bay rehabilitation project would extend up to Kuskokwim; to which Mr. Brooks said it would not, although villages up as far as Hooper Bay are impacted due to the poor salmon run resulting in lack of employment in the canneries. 1,100 residents registered to fish for salmon this year and the possibility that there would perhaps be no fishing may have kept some residents from spending money for a license this year, continued Mr. Brooks. An additional 600 non-residents have registered. There are 28 or 29 villages containing between 4,000 and 5,000 people in the Bay.

Sen. Butrovich asked if Mr. Brooks was aware that this $1,500,000 was to be added, to which Mr. Brooks said he was not. He had not discussed the matter with the Governor. Sen. Butrovich asked how many local people could be put to work this summer. Mr.

Brooks said they could find quite a number of people interested in developmental fishing if funds were sufficient for that activity, and possibly 15 to 20 people could be involved in that project. Another 15 to 20 people could be used in the fishery projects, but it was unlikely the department could hire more than 35 or 40 employees. However, Mr. Brooks added, the investment should be viewed in terms of long-range effect. If the state was looking for immediate, short-term employment, possibly it would be better to build boardwalks or sewer systems. Mr. Brooks also stated that the money, if appropriated, should not lapse in a short time and any appropriation of this sort should be non-lapsing money.

Sen. Ray joined the meeting at 4:00 P.M.

Mr. Brooks continued by saying that to the extent that the economy of Bristol Bay was dependent on salmon fishing, it was going to be depressed for at least five more years before the state could expect returns of fish that approached that which were available in the past. Whether or not this depression continued beyond five years would be dependent upon the investment made now.

Sen. Groh asked how much money was in the budget for Bristol Bay rehabilitation, to which Mr. Brooks said funds were budgeted to develop the Snake Lake hatchery and expand it into the Wood River system. Replying to a question from Sen. Hohman, Mr. Brooks said the department could use $5 to $10 million -- but it was just a matter of the balance the legislature wished to strike. With less money, the Department of Fish & Game would forget about the developmental fishing idea and would scale down accordingly. He said he didn't request this money; however, if appropriated, he would see that it was utilized to the benefit of the Bristol Bay region and he believed it would return a high yield.

Sen. Palmer moved HB 7 am be reported from committee with individual recommendations. Motion failed.

Sen. Poland asked if Mr. Brooks could gear up to use these funds or if it would be better to wait for the regular session. Mr. Brooks said the department would not spend $1,500,000 prior to the next session.

Sen. Groh moved to pass the original version of the bill as presented by the Governor from committee as a Senate Committee Substitute for House Bill No. 7 am with individual recommendations. Sen. Poland asked how much money could be put into action right now by the department; to which Mr. Brooks replied they could encumber a total of about 1/2 to 2/3 of the amount prior to the next session. Sen. Groh's motion was brought to a vote and the motion carried.

The meeting adjourned at 4:25 P.M.

SENATE FINANCE COMMITTEE
June 20, 1974
9:25 A.M.

Present: All members. Members of the Senate.

HB 6 Sen. Groh called the meeting to order and brought HOUSE BILL NO. 6 (An Act relating to the authority of the Alaska Pipeline Commission to order special fittings) before the committee.

Referring to line 20, the committee discussed the sentence: "A request for special fittings may be made by the commissioner of natural resources for the state." Sen. Groh suggested this be changed to "provided a request for special fittings is made . . ." Sen. Ray suggested the words "for the state" be deleted. Sen. Silides asked if the committee would substitute the bill previously passed, and read the language from this bill. Committee discussion followed.

Sen. Palmer moved to insert the language "A request for special fittings and valves may be made to the Commission by a local government, person, company or corporation." Upon vote, this motion passed.

Sen. Sackett moved to report HB 6 as amended from committee with individual recommendations. Motion passed.

The meeting recessed at 10:00 A.M.

AFTER RECESS
2:20 P.M.

Present: All members. Charles F. Herbert, Commissioner, Department of Natural Resources. Members of the Senate, oil industry representatives, and press.

CSHB 5 am

Sen. Groh called the meeting to order for consideration of COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 5 am (An Act providing for the sale, exchange or other disposition of minerals obtained by the state as royalty under state leases or of rights to receive future mineral production under state leases). Sen. Groh explained the differences between the original HB 5, CSHB 5, and CSHB 5 am.

Sen. Ray said the administration did not object to CSHB 5 am provided the following language was inserted: "Contracts for the sale of State-owned royalty gas or oil that specify the sale and delivery of not more than 400 barrels of crude oil per day or not more than 460 barrels of natural gas liquids per day or not more than 2,400 Mcf of natural gas per day may be executed without ratification by the legislature." Sen. Ray said this would allow the refineries to make use of oil without calling the legislature every time they wished to draw royalty oil. Sen. Ray moved and asked unanimous consent to insert this language in Sec. 38.06.055.

Committee discussion followed, and Sen. Silides presented a draft of a committee substitute and explained same. Sen. Palmer moved for the adoption of the language in Sec. 2 of Sen. Silides' committee substitute pertaining to export of royalty gas or oil from the state. Charles Herbert, Commissioner of the Department of Natural Resources, said the addition of this section would be acceptable. Sen. Groh read from the Governor's veto message which stated inclusion of this language was one of the reasons for his veto of the prior bill. Mr. Herbert said there was a question as to whether this section could be implemented due to the federal energy crisis; to which Sen. Palmer said the legislation could serve Alaska until federal energy demands interfered. Sen. Groh and Sen. Ray emphasized that this provision was against the express wishes of the Governor. Sen. Palmer repeated his motion for inclusion of the provision and upon vote the motion carried by a vote of 5 to 2.

Sen. Silides continued explaining his draft of a committee substitute and referred to Sec. 38.06.025 MEMBERSHIP. The words "with petroleum-related industries" were deleted (relating to experience of public members on the board) and the words "Public members may be removed only for cause" were added on line 10. Sen. Palmer moved for the adoption of this amendment, which motion passed.

Sen. Silides suggested language inserted in Sec. 38.06.030 specifying a salary of $100 a day for members of the board. Sen. Palmer moved to accept this language; Sen. Ray objected. Motion failed.

Sen. Groh moved and asked unanimous consent to change "it considers" to "are" in sub-section (4) in accordance with Sen. Silides' draft of a committee substitute. No objection, so ordered.

Referring to Sec. 38.06.050 BOARD APPROVAL REQUIRED, Sen. Silides' draft added the word "encumbrance" in line 1. Sen. Croft explained the reason for this addition and Sen. Palmer moved and asked unanimous consent for addition of "encumbrance" on line 1. No objection, so ordered.

Sen. Silides explained the words "applications for the purchase of royalty oil or gas, or a development plan involving the use of royalty oil or gas" were added in sub-section (b). Commissioner Herbert said he did not like the addition of development plans and would prefer to limit the language to applications. Sen. Groh moved to adopt the language as suggested by Commissioner Herbert and asked unanimous consent. No objection, so ordered.

The committee decided to leave sub-section (c) as written in CSHB 5 am rather than delete it as suggested by Sen. Silides. Referring to sub-section (d), Mr. Overbee of the oil industry said he objected to deletion of this section since some future board may interpret as legislative intent that the refining operation was closed to the state. Commissioner Herbert said he had heard similar objections by other members of the oil industry. Sub-section (d) was left in.

Sen. Ray repeated his previous motion to include the language suggested by the administration in Sec. 38.06.055 ACTION BY LEGISLATURE and asked unanimous consent. No objection, so ordered.

Sen. Palmer moved to delete the next section, Sec. 38.06.060 CONFIDENTIALITY. Commissioner Herbert said he was in favor of keeping this in as qualifications of a person to bid should be kept confidential until final award. Information on the person to whom an award is granted would then be publicized. Sen. Palmer withdrew his motion.

The remaining sections of the bill were left as written in CSHB 5 am. Sen. Groh moved to report Senate Finance Committee Substitute for Committee Substitute for House Bill No. 5 am from committee. Upon vote, motion carried.

The meeting adjourned at 3:30 P.M.