

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2567

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HOUSE FINANCE COMMITTEE
Thursday, January 23, 1975
9:20 a.m.

All members of the Committee were present with the exception of Chairman Malone, who arrived later. Also present were Dr. Nat Cole, Deputy Commissioner of Education and Bill Thompson, Fiscal Director for the Department of Education, and staff.

PRESENT

Ms. Buchholdt assumed the chair in the absence of Mr. Malone. She called the meeting to order, explaining that the committee would discuss SENATE BILL 30 (Compensation for members of the Professional Teaching Practices Commission).

SB 30

Mr. Guthrie, Fiscal Analyst, explained that the PTPC was established by law several years ago, but that it has had an executive director only within the last two years.

Dr. Cole and Mr. Thompson were introduced, and at the request of the Chair, Mr. Thompson distributed and explained the fiscal note for the bill. He explained that experience has shown that the average teacher is away from the teaching station eight to ten days per year. This bill provides for state compensation of teachers if the number of days away from their stations exceeds 15. They do not anticipate absences due to PTPC involvement exceeding that number within the next two years. Therefore, he stated that there is no immediate fiscal impact to the state.

Mr. Guthrie asked why the bill is necessary, to which Mr. Cole replied that there has been reluctance on the part of some school districts to release teachers for PTPC purposes. Some teachers have had to take non-compensated time (administrative leave without pay). The major purpose of the bill is to show legislative intent that these people be released, which is not clear in the present statutes. In addition, it is projected that due to increasing workload, there will eventually be absences in excess of 15 days (one reason for this being that with increased teacher-evaluation programs, there will be an increase in grievances). This will provide for that future time. Even then, however, Dr. Cole stated that the impact on the state will be minimal.

Mr. Cowper questioned proposed increases and expansion of the PTPC. Dr. Cole said that there is a bill currently before the legislature (HOUSE BILL 31 - Relating to suspension or revocation of teachers' certificates) which would significantly change the role of the PTPC. Rather than recommend that a certificate be suspended or revoked, the PTPC would have the power to determine whether such action would be taken or not; should the Commissioner disagree he would retain the power to overrule such a decision, but except in those cases, the PTPC would be the decision-making body.

SB 31

In response to questioning by Mr. Duncan, Dr. Cole said that up to this point, the average number of days missed by teachers due to PTPC activity is between 6 and 10, with the greatest number being in the past couple years since there has been a full-time executive director. He reiterated that since there are only five people who would be involved under this bill (the rest of the membership consisting of one representative of higher education, one of the Department of Education, one superintendent, and one administrator) even when the absences exceed 15 days the cost to the state will not be excessive.

Mr. Haugen pointed out to the committee that there are costs involved to the districts even if there are not costs to the state. It is the district who pays the substitute teachers during the absence of the PTPC members. He stated that superintendents in his district have expressed their interest and concern with the effect this has on the districts. Although not acting in opposition to the bill, Mr. Haugen felt that the House committee should take a more careful look at the bill and also give the "other side" a chance to testify.

Ms. Itta requested a list of current Commission members, which was obtained and distributed to the committee.

Mr. Haugen reiterated the concern of persons in his district due to the additional cost to the district of hiring a substitute.

Ms. Buchholdt wondered whether there had been any Anchorage district reactions to this legislation, and expressed her feeling also that it would be appropriate to contact Mr. Overstreet on this matter. Dr. Cole said that he had heard no particular reaction from the Anchorage area.

In response to Mr. Haugen's expressed concern for the districts bearing this additional cost, Dr. Cole said that it is true that that is the situation and that he did not know where the 15 day cut/off point for this legislation had developed. He said it is an arbitrary number. He said that the cost to a district for 15 days would be between approximately \$600 and \$800.

In response to questioning by Mr. Gruening, Dr. Cole said that teachers have not been guaranteed leave with pay to attend PTPC meetings, and that the bill attempts to correct this and to insure that they will be paid. He added that PTPC has its own budget under the Department of Education which pays for the travel and per diem of Commission members.

Mr. Malone entered the committee room at this time and assumed the Chair.

Mr. Duncan inquired about the meeting schedules, wondering if meetings are or could be held during summers. Dr. Cole said that there are meetings during the summer as well as during the school year. Mr. Duncan wondered if summer meetings might be part of a solution to the burden of paying substitutes, as there would not be that problem during the summer. Dr. Cole said that some teachers have other jobs during the summer. In response to further questioning, Dr. Cole said that administrative leave implies leave during the days a teacher is under contract.

Mr. Cowper raised a question about the definition of employers, and expressed his concern that unless specific definition of "employer" was included in the legislation, a teacher's summer employer might be put in the position legally of having to pay the employee for the time spent on PTPC matters.

Mr. Naughton expressed the same concern that a private employer might be construed to be responsible for paying such an absent employee. He asked Dr. Cole for his opinion. Dr. Cole said that there might be a need for clarification, although he felt that use of the words "administrative leave" would indicate otherwise.

There was brief discussion, followed by a decision to hold the bill until the afternoon when additional witnesses and interested parties might be in attendance.

Meeting recessed at 9:45 a.m.

Mr. Haugen pointed out that they do get per diem, and Ms. Miner SB 30 said that while she got \$35.00 per day for hotel, cab, meals, she is losing the money that the substitute costs because that \$40.00 comes out of her pocket.

Mr. Gruening said that the majority of school districts feel it is a honor for the teachers to serve on the Commission; but there is a general problem because some boards do not agree.

Mr. Duncan had a question on the wording: "Paid by the employer". What did that mean during the off-school months? Does it refer only to the school district.

Ms. Miner, in answer to Ms. Buchholdt said the Commission sometimes met in the summer, but then did not require a substitute, so there was no problem about leaving the district. She happened to be the only one last year to pay a substitute--the other districts paid for their teacher's substitutes. There was a problem in the Nome district once when they were short of funds and the representative wasn't going to be able to attend, but they found the money in the end.

Mr. Cowper pointed out that setting this precedent for reimbursing the employers is here; that in effect this is a special dispensation being proposed here.

Dr. Cole said that the State has many boards and members; there is nowhere established in State law any compensation for time lost or potential loss of salaries to any of the employers. This is somewhat different from normal practice--most boards simply pay per diem and travel.

Dr. Cole, in answer to question from Mr. Cowper said that some self-employed people might complain about being called to these meetings, but employers have not.

Mr. Guy asked what the average daily rate for certified teachers was; Dr. Cole said about \$75.00 to \$80.00 per day. The \$50.00 was somewhat a projection and differed in different parts of the state. Many areas hire permanent substitutes and may pay them more. There is movement afoot for substitutes to organize with the teachers.

Mr. Naughton noted that the action of the Eighth Legislature introduced the way for state funding of the program.

Dr. Cole, in answer to Mr. Guys question, said it would make no difference if the amount put into the General Fund were increased since if the program receipts were short the money came from there anyway.

Ms. Miner, in response to Mr. Haugen, said the next scheduled meeting is May 22; that there were several hearings between now and then but she would not be serving; she would be spending one afternoon with the Commissioner of Education but that would be during noon or after school hours. SB 30

That being all the testimony, the witnesses were thanked and left at 3:35 p.m. It was noted that Mr. Overstreet and Mr. Van Houte did not have anyone to send over and that both were out of town.

Mr. Haugen pointed out that while frequently programs start out being self-funding they end up costing the state money. He said that often fiscal notes would show no cost and he pointed out that there is always a cost to someone--time spent testifying costs money. That it costs \$60,000 to \$70,000 to run the program.

Mr. Naughton suggested spelling out meaning of "employer". Suggested adding a section saying that "employer" meant school district, Department of Education, University of Alaska, so that we do not get private industry involved during the summer.

A motion was made by Rep. Naughton to amend line 19 section 2 to say that "employer" means a school district, the Department of Education, the State of Alaska, and the University of Alaska.

In discussing the motion, the Chairman said the State shall reimburse the employer for costs incurred. Then the State would pick up the additional costs.

Ms. Buchholdt wondered if they would limit their working days to fifteen or have a tendency to exceed it. Chairman Malone said that while meetings have not been over fifteen days yet, they may at some time be.

Mr. Naughton pointed out that the purpose of the Commission is to keep the teaching corps cleared up, mainly for the protection of the children, so it will not be money ill spent.

Mr. Gruening said he was in favor of the bill because at this time the school districts have leverage over the teacher and teachers don't have the flexibility that business men have.

Mr. Duncan noted that there were no more costs to any other district except Juneau. If it goes over fifteen days it will be paid by the State so it may actually reduce cost to the school district.

Mr. Guy asked if they should insert the word "teachers" on line 10 as the rest of the Commission members are receiving salary with no problem. The Chairman said this was already taken care of in the original drafting of the bill.

Mr. Guy asked for the question. The motion passed seven to two, SB 30 Messrs. Haugan and Malone opposed.

Chairman Malone said that a good way to save unnecessary discussion on the floor was to have a Committee Substitute, and he would entertain a motion to adopt a Committee Substitute to propose the amendment.

Mr. Cowper so moved; Mr. Haugen seconded it. There was brief discussion on whether or not State Operated Schools were included. It was noted that the members of the Commission were from areas where State Operated Schools did not exist. A list of names is submitted first to the Commissioner then the Governor's Office. From this list five teachers are selected.

Mr. Naughton moved that a Committee Substitute for SB 30 be prepared and that it be sent out of Committee with a "do pass" recommendation. He asked for unanimous consent; there was no objection and it was so ordered. (This order was recinded January 24, 1975, see page 10 of minutes.)

The Chairman asked for a volunteer to carry SB 30 on the floor; there being no response, he appointed Rep. Jim Duncan.

The Chairman called for a meeting tomorrow morning, January 24, at 9:00 a.m., to discuss some of the considerations that had come up in the Governor's message.

The meeting was adjourned at 4:10 p.m.

HOUSE FINANCE COMMITTEE
Friday, January 24, 1975
9:15 a.m.

All members were present.

PRESENT

Chairman Malone called the meeting to order at 9:15, and explained to the Committee that he had before him the Committee Substitute for Senate Bill 30, which the Committee had requested be drawn up and had reported out of committee on January 23. He stated that attached to the committee substitute was a memorandum from Mr. Elliott, Director of the Legislative Affairs Agency, stating that in his opinion the amendment contained in the committee substitute is superfluous and that it was his recommendation that the bill be reported out of committee in its original form. Mr. Malone stated that he was in agreement with Mr. Elliott.

SB 30

Mr. Naughton moved that the action of January 23 be rescinded and that the bill be reported out of committee in its original form.

After brief discussion relative to the necessity of defining "employer" (or lack of necessity) the Chair requested Mr. Elliott's presence and after a short at-ease Mr. Elliott entered the committee room. He explained that although there is no specific definition of "employer" given, the entire chapter refers to people serving by virtue of their positions in education. He felt that no court would construe the legislation to include any employer but those specifically intended. He said that the amendment would do no harm, but felt that it was quite unnecessary.

Mr. Cowper questioned Mr. Elliott, expressing his feeling that in fact a court might misconstrue the intent of the legislature. Mr. Gruening concurred.

Mr. Naughton pointed out that one disadvantage to reporting the bill out as a committee substitute, particularly with Mr. Elliott's having viewed the committee substitute as unnecessary, is that the Senate will have to concur in the substitute, and should they not concur it will be sent back to the House and passage will be further delayed. Mr. Duncan shared Mr. Naughton's concern and asked the Chair to explain what the process would be should the bill be returned to the House. Mr. Malone said that the House at that point would either recede from their amendment or, if they refused to do so, a Free Conference Committee would be appointed.

Mr. Malone said that the Committee could write a letter of legislative intent for the bill, lest there be any question as to the intended definition. Mr. Gruening expressed the feeling that over a period of years, legislative intent is too easily forgotten or clouded.

The question was called, and by vote the motion carried 6-3, Messrs. Cowper and Gruening and Ms. Itta opposed. The final committee report was signed with a unanimous "Do Pass".

Meeting recessed at 9:50 a.m.

RECESS

After Recess

11:00 a.m.

Chairman Malone called the meeting back to order, with all members present. He explained that the purpose of the meeting was to discuss revenue measures, some of which were mentioned in the Governor's budget message.

REVENUE
MEASURES

Mr. Malone outlined some of the points mentioned by the Governor in his message, noting the somewhat bleak financial picture which was presented. He said he feels that it is imperative that something be done. Some of the Governor's suggestions included the idea of another lease sale. However, Mr. Malone felt that there were some problems with that, inasmuch as the last lease sale is still tied up due to an environmental suit, and he said that he was unsure whether any lease sale would be free of environmental considerations. The state does do environmental impact studies but he felt, with the time press the state often faces, the state could overlook important environmental considerations.

Other measures the Governor mentioned, Mr. Malone continued, include new tax measures. Loopholes are being used by corporate tax payers, particularly some of the large international corporations. He said that the Governor intends to introduce legislation to eliminate those loopholes, in addition to measures involving depletion allowances, limited investment credit, and a constitutional amendment extending the one-year allowance for the state borrowing money.

Mr. Cowper noted that the state income tax is effective only on profits made in the state, and that until the oil is flowing there won't be profits coming in.

Mr. Gruening stated that there are corporations exploiting other Alaskan resources (timber, fisheries) and that they would be affected. However, he noted that that would not substantially improve the present situation. He felt something immediate is needed; i.e. taxing oil-in-place.

Mr. Malone said that the Governor's feeling about that was that it would depress the value of future lease sales.

Mr. Naughton pointed out that if the Governor spoke of taxing oil-in-place, that was a different situation than the legislature doing so. He said that he felt it was important for the distinction of roles to be maintained, and to understand that there is a difference in the effect of something if the legislature does it rather than the Governor.

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He further stated that he felt the legislature could let the oil companies know that if the lease sales are low, then the taxes will be higher; because the state will be compensated.

In response to questioning by Mr. Gruening, Mr. Malone said that he did not feel the legislature was able to make independent revenue projections. He said that that depends pretty exclusively on the administration. He asked Mr. Hogan if he had further comment on that, and Mr. Hogan said that he agreed; the timing is really in the Governor's hands. He said that Mr. Gilbreath, who will be here next week, would be a good person to discuss this with.

Mr. Malone added that Mr. Levy will be here on the 10th of February, also. The state has Mr. Levy on retainer and so he is available to the legislature for questioning.

Another of the Governor's proposals was to sell options on oil to be subtracted from later sales.

Mr. Haugen raised a question about the obligations the state will have to assume when they take over the North Slope road. Mr. Hogan said that the road is being constructed by Aleyska at their expense but that it is true the state will have to pick up the maintenance. Mr. Haugen was concerned also about bills left for the state to take care of, also, and requested the staff to look into this matter.

Mr. Guy made some specific inquiries about the state's finances and asked if there were monthly reports available. Mr. Hogan said that they were available in the Legislative Library in the Legislative Affairs Agency.

Mr. Gruening brought up the subject of state growth determined by budget size, and suggested that the committee take a look at high, medium, and low budgets. Elaborating further, he referred to the idea that real growth in the state will be from government, based on government spending and creating jobs. He indicated that he felt the legislature should determine a consensus attitude on growth and take that into consideration in developing its budget.

Mr. Hogan spoke to the members about supplementals, noting that each year the legislature is faced with a large number of supplemental requests which considerably increase the actual budget for each year. He explained some of the supplementals are inevitable, due to the manner in which programs are run. For example, negotiations for contracts in the Division of Marine Transportation take place each year following adjournment of the legislature. Therefore, budgeting for the new contracts cannot be accomplished and so each year a supplemental is necessary. Mr. Hogan proposed that the committee direct the division to change its bargaining date.

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Mr. Hogan went on to say that there are other supplementals each year which are due to overspending in a budget, and he suggested that one way to perhaps curb this type of overspending was to fail to pass one of the less important supplementals in this legislative session so that the departments become aware that they must learn to live within their budgets.

Committee recessed at 12:07 p.m.

RECESS

After Recess
1:45 p.m.

All members were present with the exception of Mr. Naughton.

Present

Chairman Malone called the meeting back to order. He appointed a subcommittee on revenue measures, to be chaired by Mr. Cowper. Other members on the subcommittee are: Gruening, Itta, Duncan, and Haugen. The other committee members form a subcommittee on Budget and Audit report recommendations (Naughton, Buchhold, Guy).

Sub-
committe
assign-
ments

Meeting adjourned at 2:05 p.m. so that the newly appointed subcommittee could meet.

ADJOURN

1/24/75

HOUSE FINANCE COMMITTEE
Monday, January 27, 1975
9:05 a.m.

All members were present except for Ms. Buchholdt who was excused. Also present was Garrey Peska, Legislative Auditor, and staff.

PRESENT

The purpose of this meeting is a Confirmation Hearing on the Legislative Auditor, who will inform us of his functions, experience and qualifications for this position.

A brief history of the Legislative Audit Committee was given by Jay Hogan, Director of Legislative Finance:

The Committee was formed by statute in 1955, Mr. Dyer was the first Legislative Auditor, confirmed by the full Legislature. He served on a contract basis because of the salary structure at that time--they could not fill the position full time as required. Several years ago when the Budget and Audit Division was formed, they made an attempt to up-grade the Legislative Auditor's Office, and in the past three or four years there has been substantial and successful up-grading. Mr. Dyer made recommendation that the Legislative Auditor position no longer be part time, and recommended that Garrey Peska be appointed. It was also the recommendation of the former supervisor. The Chairman of Budget and Audit Committee asked Mr. Hogan to canvass for applicants for the job through the regular channels which he did for a period of thirty days. After that time, it was clear that Garrey Peska was the leading applicant.

Mr. Peska outlined the function of the Legislative Auditor and the duties by statute:

1. To audit every State agency fund and account once every three years; a financial audit or a performance audit;
2. To conduct performance audits whenever appropriate to determine if agency is effective;
3. To conduct compliance audits;
4. Special reports on any question any one might ask, at the direction of the Budget and Audit Committee.

Present staff consists of twenty-two people; twenty-five are authorized: one Legislative Auditor, two Deputy Legislative Auditors, three Audit Managers who are CPA's, and nine in-charge Auditors who don't have to be CPA's.

The approximate budget of the Legislative Auditor's Office is \$700,000.

In response to questions from members of the Finance Committee the following information was given by Mr. Peska:

That his Office only reports if an agency is effective or not when doing performance reports, not if it should continue or not;

That his Office does about twenty-five total audits per year;

He has an Assistant Accountant who developed a program to audit through the computer. His main job is to maintain the programs he created;

The nature of recommendations has changed over the last three years. They used to be more on specific items and now are on procedure and efficiency;

The 1974 Legislature, through Free Conference Report, decided they wanted Federal Agencies investigated. They now conduct audits of Federal grants through the State, such as Education grants, HESS grants, food stamps. These audits are conducted on a reimbursable basis, being paid hour for hour out of part of the grant that was set aside for this purpose;

He holds regular staff sessions and has made it very clear that they follow strictly the statute on conflict of interest. He has filed a Conflict of Interest Report, but does not require everyone on the staff to do so;

They follow up on every major report about one year later, not to see if the error is corrected or not, but to check the system to see if it has been cleared up or improved;

His Office does not provide performance reports to the Department of Budget and Management but they are available to the Department of Legislative Audit;

There is a big problem getting in-state recruits to fill positions in his office. He tries the University of Alaska regularly but gets the most people with good grades out of Seattle. He is under no regulation to hire only in-state or to hire an in-state over an out-of-state; however he tends to favor in-state because they are more prepared for work up here.

As far as career development; there are three in-charge auditors for each Audit Manager, and they can apply for a certificate after two years work in Legislative Audit. In the past work with the Legislative Audit didn't count toward a certificate, only two

years with an accounting firm;

The special audit provision is available to Legislators, or to the general public. They can ask the Budget and Audit Committee for a report on anything they want. The report takes precedence over regular audit work. The audit is conducted, a draft submitted to the Budget and Audit Committee. They decide whether or not to release it and notify the Agency who has thirty days to respond. Then back to Budget and Audit who then decide whether or not it will be released to the general public. The majority of the Committee must request a special report--he can only begin a special report under the direction of the Committee.

The Office does not have time to audit every state agency every three years; however they make sure their presence is felt at least by every Department in the State. and rotate from division to division;

The agencies are not picked at random for audit and the only surprise audits are petty cash and field warrants. Otherwise a formal engagement letter is sent to the commissioner, telling him exactly what the audit will consist of then a confirmation meeting to follow up. If something else is discovered in the course of the audit then was outlined in the letter, it is included in the report.

He has strong feelings about the weaknesses of his office, and has suggested to Commissioner Warwick that a work group be formed to solve some of the problems. Department of Administration is supposed to audit all vouchers and invoices before they are paid. When they find such flagrant mistakes (as in Motor Vehicles in Anchorage charging receipts against following year's expenses), they realize they are only processing paper. The work group has not been formed yet;

He would like a provision for his office to testify before the Finance Committees and advise them. In his opinion the Finance Committees could force the implementation of Legislative Audit's recommendations. He gave the example of losing control of Data Processing. There is no planning of future of Data Processing in the State of Alaska. They will ask for money for machinery and give the reason that they are using 90% of their machinery. However, if they made their programs more efficient they would not be using 90%. The way this Committee could force them to do so, is by making a line item for planning and maintaining records to show they have been properly planning. Data processing in thirty-five states is a self-evolving fund. They bill other agencies for their services and find areas where they are inefficient. Currently, we don't pay for it so ignore inefficiencies.

Mr. Haugen made the comment that Legislative Audit doesn't get proper back up.

Mr. Peska said the accounting technique is to send a memo billing advising the using agency of costs for the year. This information is used in forming the new budget request.

Mr. Guy asked if agencies used their monthly expenditure runs; and was told that a well run agency would use it, but most of them did not seem to.

Mr. Peska told them about contracts with the three banks in Alaska to handle surplus funds. They were attempting to find out whether they were getting sufficient value of services to continue investing in common stock. They found they were not getting their money's worth for services provided.

Mr. Peska's work history before coming to Legislative Audit, was five and one-half years for two private firms, and as a controller for two years, all in the lower forty-eight.

The Chairman made note of the following meetings:

A Chairman's meeting following the session this morning.

Revenue projection meeting at 1:30 p.m. this afternoon.

Some time during the next several days the Finance Committee will take up the question of Mr. Peska's confirmation.

Mr. Cowper announced a short meeting of the Revenue Sources sub-committee here this evening.

The meeting was adjourned at 9:50 a.m.

JOINT HOUSE & SENATE FINANCE COMMITTEES
Monday, January 27, 1975
1:30 p.m.

All members of both House and Senate Finance Committees were present with the exception of Senator Poland and Rep. Buchholdt. PRESENT
Also present were Commissioner Gallagher of the Department of Revenue and members of his staff: Messrs. Stevenson, Eppenback, Kimlinger, Wall, Boetsch; O. K. Gilbreth, Director of the Oil and Gas Division, Dept. of Natural Resources; and other interested persons.

House Finance Chairman Malone called the meeting to order. REVENUE
Committee members and Department personnel introduced themselves. PROJEC-
Chairman Malone explained that the purpose of the meeting was TIONS
to take a look at revenue projections, and he gave Mr. Gallagher the floor.

Commissioner Gallagher distributed some materials to the committee (See General Government subject files) and gave a brief introduction to the forthcoming presentations. He then requested Mr. Gilbreth, Director of the Oil and Gas Division, Dept. of Natural Resources, to make his presentation. Mr. Gilbreth began by reading from the Revenue Sources book. (See General Government subject files.) OIL & G
Mr. Gilbreth said that in making projections, they have assumed the wholesale price index will increase 10% per year. Current year tax income is up considerably. He said that the oil income is down, because a larger increase in dollars per barrel had been estimated. The crude oil price is frozen at the national level, although new oil can be sold without relation to the frozen price. He said that \$6.00 per barrel is the price for frozen oil, and new oil is going for \$11 per barrel. (Cook Inlet well-head price is \$4.79-4.83.) He mentioned that the Prudhoe estimates are based on 7/1/77. After that point, production will increase fairly rapidly.

Mr. Gilbreth continued, explaining that they have been preparing a simulation model of Prudhoe, and have been making good progress with that. This has been going on a little over a year and is due to be completed late this fall at which time they hope to have an analysis of the best way to produce the Prudhoe Bay Field. Production from Prudhoe itself will start declining between 1986 and 1988 he said.

Mr. Gilbreth further stated that the estimates for state income have been based on refinery values in California plus transportation costs.

Senator Ray requested copies of information making up these projections.

cents per barrel rate every month.

There being no further questions of Mr. Gilbreth at this time, Mr. Eppenback next gave a presentation on the status of the state's treasury. He distributed copies of a run giving the estimated non-marketable investments as of December 31, 1974, with projections up to 1979. (See General Government subject file.)

Mr. Eppenback spoke about some of the assumptions made in determining status of the treasury, and he cautioned the committee members not to assume that computer runs and figures necessarily imply accuracy. He explained that there are a variety of factors to be taken into consideration in examining any of the financial reports.

Senator Sackett asked what the actual average rate of return on investments is. Mr. Eppenback said that 6.53% is the realized rate of return.

INVESTMENTS

Senator Ray noted that in speaking of a \$550 million budget, this is referring to operating general fund expenses. Mr. Eppenback said that that is correct; it does not include restricted funds.

Discussion followed, briefly explaining restricted vs. non-restricted funds. Mr. Eppenback noted that budget size does not include the restricted federal funds.

The subject of the cash float in the state budget was raised. Mr. Eppenback noted that at any given time there may be \$40 or \$50 million due to bills committed but not yet paid. He mentioned that another critical topic is the matter of cash available, noting that there is a significant portion of the general fund tied up in investments. Thus for a variety of reasons, the financial reports can be misleading. There was considerable interest in this subject, and concern about more accurate financial reporting. Mr. Eppenback stated that the new administration has expressed its interest also in seeing that methods for accurate financial reporting are developed.

Mr. Specking asked if it is correct that the state is getting out of the equity business by June. Mr. Eppenback said yes. He said that the decision was made to do so over the next six months, and definitely by June to be entirely out of the stock market. There was discussion, he said, about whether perhaps getting out over a longer period of time would be more advantageous, but because of a certain need for these funds it was decided to definitely get out by June. This is a firm commitment.

In discussing options open to the state in dealing with the impending financial problems, Mr. Eppenback again mentioned the cash float. He noted that since the state does not pay all its bills on one day,

Mr. Malone wondered whether projections on the pipeline weren't already low. Mr. Gilbreth said that \$6 billion is the best figure they have to go on now. He said that this could be plus or minus 20 or 30%. Mr. Eppenback said that the variable in this figure is how productive labor will be.

Senator Ray mentioned the Governor's alluding to a \$10 billion figure and wondered whether perhaps this was based on information that he had which the departments did not have. Mr. Eppenback said that the Governor's figure has a speculative component in it. He said that although this \$10 billion figure has not been ruled out, the best hard estimate is \$6 billion.

Senator Ray asked if that is better for the state, to which Mr. Eppenback replied yes.

Senator Rader inquired about the effect President Ford's recent proposal for import oil taxing will have on these oil projections. Mr. Eppenback said that they do not know how the tax would be applied -- if there would be an increase to wellhead price or what. All that they have to go on at this point are fragmentary newspaper accounts so there is uncertainty as to just what is involved.

Senator Rader asked if this would affect the state's royalty interest, and Mr. Eppenback said that he did not believe so, but could not say for sure.

In response to questioning by Mr. Malone about the 1978 projections, Mr. Gilbreth said that if the controls are "thrown off" there is no reason to assume Prudhoe would not be considered new oil.

In response to questioning by Senator Ray about the President's suggested \$3 per barrel, Mr. Gilbreth said that as he has understood it, the \$3 tax would be put on the wellhead price, so it will reach all consumers. Refinery prices and consumer prices will both be increased, if so.

Brief discussion continued, as to whether or not the President's proposal related to foreign or domestic oil, frozen or new oil, but there was not sufficient information available to clarify the issue at this time.

Rep. Malone asked about the wholesale price index, where it comes from and how it is generated.

Mr. Boetsch said that the wholesale price index for production is generated by the U. S. Bureau of Statistics from information based on the relationship of new and old oil coming out of the federal Energy Office. The state gets those calculations and adjusts the

use of the cash float is an option.

Mr. Gruening, referring to the non-reimbursable investments, asked why CD (Certificate of Deposit) notes are not considered reimbursable. Commissioner Gallagher said that although according to recent law, a hardship letter does not have to be written in order to cash in CD notes, there is a 90-day penalty for doing so, in addition to which it would mean the state would be breaking contracts.

Senator Rader wondered why the CD notes couldn't be renegotiated. Mr. Eppenback said that presently they are negotiable CD's with collateral but they would become negotiable CD's without collateral and so would be difficult to renegotiate.

In response to questioning by Mr. Naughton, Mr. Eppenback said that the overall portfolio rate of return is 6.5%, various programs ranging from around 5% (Alaska Housing Finance Corporation) to 8% plus (Small Business Loans). He noted that Veterans' Loans are 7.5%. Mr. Naughton asked if it correct that the state is "eating" some of the Veterans' Loans. Mr. Eppenback said around 8% are over 30 days delinquent.

Mr. Naughton asked about Bank Incentive Loans. Mr. Eppenback said that these were purchased from Alaska banks from 1970 through 1971 and are yielding 8 1/2 to 8 3/4%. That program was discontinued. Mr. Naughton wondered if this is where "bad accounts were dumped". Mr. Eppenback said no, that the general fund never had any bad loans "dumped" on them as they were very careful.

Mr. Fink pointed out that the average return last year was 3.64% and that the VA loans were the best part of the portfolio. Mr. Eppenback said that the 3.64% is from picking up one year. However, two years before that the rate of return was 10% and this year it will probably be over 9%. He did not seem to feel that singling out one year gave a very accurate picture of the investment returns.

Meeting recessed at 3:00 p.m.

up through 1974. In the last half of 1974 there has been an increase to 22%, so he assumed an increase of 13% for 1974-- pipeline impact would be the difference--and 1975 should be higher.

Mr. Specking asked how they compared with other states on these types of heavy motor units.

Senator Orsini asked if they had ever researched the increase in construction costs because of the heavier units using the highways. Mr. Wall didn't know, but he thought the Dept. of Highways did calculations of that type.

Representative Brown noted that truckers had paid the same amount for license plates for a number of years now. Mr. Wall stated that the last registration fee hike had been in 1962.

Sen. Orsini brought up the problem of mobile homes, and the fact that many of them could either be licensed or taxed as property. Mr. Wall explained that under the existing Motor Vehicle Act certain types of motor homes qualify as off-highway vehicles. If one chooses to be in the grey area and have his motor home remain a mobil vehicle, he can do so for only a \$4 license fee for the initial movement only. Once stationary, they don't have to pay it. There was brief discussion as to the impact on local taxation.

Mr. Wall went on to talk about Liquor Licenses, and referred to the Revenue Source Book. He said that a total of 1150 licenses had been issued in 1974. Four or five of these were active licenses while the rest were low volume.

LIQUOR
LICENSES

The Commissioner pointed out that the cost of administering this particular license was almost 25% of the income. On Motor Vehicles it is 16%, and on all of the rest it is less than 2%.

Mr. Kimlinger then spoke about Sports Fish and Game licenses, which were, on the average, going up. He said that in FY 73 non-resident fees increased, and that they were probably looking at a slight increase between FY 74 and 75. He went on to say that the Dept. of Fish and Game was proposing changes in resident fees.

SPORTS FISH
AND GAME
LICENSES

revenue from
He stated that/Commercial Fishing license fees would probably be going down over the next years because of Limited Entry, but that this would be a slow reduction. He said that on Page 4 of the Revenue Sources Book, in the middle of the page, where it said Commercial Fishing, it should actually read Sport Fishing/Hunting fees.

COMMERCIAL
FISHING
LICENSE

Mr. Stevenson then made a presentation on Excise Taxes. See Budget Book for that Division for information presented. His first comments were in regard to the Highway Fuel Tax.

EXCISE
TAXES

AFTER RECESS
3:10 p.m.

Chairman Malone called the meeting back to order, and asked Mr. Frederick P. Boetsch, Director of Revenue Audit, to make his presentation.

Mr. Boetsch referred to a looseleaf folder in which 12 different schedules were contained and another packet which gave background material to historical trends in the different tax types. He explained the handouts and gave an overview as contained in the Revenue Source Book. (For handouts, see General Government Budget Category File, Div. Leg. Finance.) Senator Orsini questioned income tax lost to the State by out-of-state workers on the Slope. Mr. Gallagher said that they have done away with the W-4E forms, hoping to help correct this. He did admit that it is quite a problem.

TAX TYPES

Mr. Gruening asked the reason for the miscalculation in the individual income taxes budget estimate for 75 to make them short \$10 million. He was told that although there were a variety of factors, it was to a large extent Alyeska related.

INDIVIDUAL
INCOME TAX

Mr. Cowper asked if they had factored in the likelihood of a lot of new people who were non-residents. Mr. Stevenson replied that fortunately non-residents paid a larger state tax according to the tax schedules, assuming they didn't doctor the forms.

It was remarked that individual income tax projections take a substantial jump this year which continues next year. Some of the activity has to do with service companies associated with pipeline construction.

The question was then raised as to whether there was a similar relationship in the increase in corporate income taxes. Mr. Boetsch said yes, but that it wouldn't show up until 1977 and that it would come in strongly in 1978. He said they had to take into consideration that they file on a fiscal year basis so that collections come in later than they do for individuals.

CORPORATE
INCOME TAX

Chairman Malone commented that severance tax projections for gravel, timber, etc. were very low for FY 75. He wondered whether this was one of the areas where they were not covering the cost of administering the tax. The Commissioner thought that was so.

Mr. Phil Wall then gave a presentation on Motor Vehicle Registration. His comments concerned the selling of license plates, and not administrative things like issuing titles and copies of registration, etc. He explained that license plates now run from \$4 for personal vehicles to \$160 for heavy commercial trucks or trailers. There is an average growth of around 9%

MOTOR
VEHICLE
LICENSES

Mr. Cowper asked him why we have a rebate system. Mr. Stevenson replied it was probably in accordance with procedure in other states which have off-highway systems. He mentioned that right now a refund was going to timber and drilling rigs.

Mr. Stevenson next spoke in regard to the Aviation Fuel Tax. (See Budget Book for content of presentation).

AVIATION
FUEL TAX

He went on to speak of the Watercraft Fuel Tax. (See Budget Book for content of presentation.)

WATERCRAFT
FUEL TAX

Mr. Stevenson, referring to the Cigarette and Tobacco Tax, stated that only 7 states have a lower tax than Alaska. He drew their attention to Schedule #4 in the loose leaf file. He explained that over the last ten years this has been one of the excise taxes that states raise in order to increase their budget. He then read from the budget document.

CIGARETTE &
TOBACCO TAX

The Commissioner noted this particular tax was not a very effective revenue sharing devise because by statute it is supposed to provide 50% of school construction costs.

Mr. Naughton pointed out, in a discussion of fees from various vendors, that one machine operator can route 50 machines and his license tax is the same as if he only had one machine.

Mr. Stevenson went on to discuss Alcoholic Beverage Taxes, Schedule Number 5, and again read mostly from the budget document.

ALCOHOLIC
BEVERAGE TAX

Mr. Stevenson concluded his presentations with comments on the Raw Fish Hatchery Tax.

RAW FISH
HATCHERY TAX

Mr. Naughton requested information regarding how much of the Alaska Salmon was being taxed here at freezer rate and then shipped to Washington and taxed as opposed to that canned in Alaska and taxed at the canning rate. Mr. Stevenson said he would check to see if that information was obtainable.

Before Closing, the Commissioner commented that the corporate income tax projections are based on compliance with the Multi-State Tax Compact. Mr. Malone asked if they anticipated any problems with this, and Mr. Gallagher said there were already problems. There is presently a suit on the constitutionality of the Compact.

MULTI-STATE
TAX COMPACT

Meeting adjourned at 4:50 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
Tuesday, January 28, 1975
2:05 p.m.

All members were present, except Mr. Gruening. Also present was Mr. Grogan, Legislative Finance Staff.

PRESENT

The purpose of the meeting was to formalize action regarding the recommendation to the House of the Legislative Auditor. The Finance Committee has to confirm the Auditor in joint session and make a recommendation to the House.

CONFIRMATION
HEARING

The Chairman pointed out notebooks that contain the minutes of the House Finance Committee meetings to date, and passed around a copy of the Financial Disclosure statement Garrey Peska had submitted.

Rep. Naughton moved that they recommend that the Legislature confirm Mr. Peska as the Legislative Auditor.

Ms. Itta called for the question. There was no objection to the motion; it was so ordered.

Chairman Malone will draft a letter to the Speaker of the House advising them of the House Finance Committee recommendation.

A page from the Budget Summary was passed around to the Committee members, showing in which program categories the administrative functions of the various departments are located.

Chairman Malone, in answer to Mr. Cowper's question on the type of report expected from the Revenue Sources Subcommittee, said they should make a preliminary report on areas that would be worth further study or having a bill drafted on them.

Tomorrow morning at 9:00 a.m., there will be discussion of subcommittee assignments.

Meeting was adjourned at 2:15 p.m.

HOUSE FINANCE COMMITTEE
Wednesday, January 29, 1975
9:10 a.m.

All members were present with the exception of Mr. Naughton.

PRESENT

Chairman Malone called the meeting to order at 9:10, and announced that the purpose of the meeting was a discussion on budget subcommittees.

GENERAL
MEETING

He queried the committee on ideas about how budget hearings and study should be conducted. Mr. Cowper suggested the idea of ad hoc subcommittees.

SUB-
COMMITTEE

Mr. Malone asked Mr. Barker about his thoughts on having each category handled by a committee-of-the-whole. Mr. Barker said that although the testimony from personnel involved in each category is generally handled before a full committee, putting the individual line item figures together with a full committee could be difficult.

[Mr. Naughton entered the meeting briefly at 9:15 and then left again. Ms. Itta entered the meeting at 9:20.]

Mr. Haugen recommended that the officials from each department come before the whole committee, but that there be a subcommittee to then further research each category, determine figures, and propose them to the rest of the committee.

Mr. Cowper elaborated on his idea of ad hoc subcommittees, stating that the committees could be formed as interest and importance was evidenced.

Ms. Itta expressed concern that some important areas might be overlooked if the ad hoc idea was implemented.

Mr. Malone suggested possibly having the whole committee go through the budgets in detail, interviewing agencies as the committee sees fit. After that, working subcommittees could be established, with the understanding that any member could sit in on any of the subcommittees assigned whether or not they are members of that subcommittee. The subcommittee, after further investigation, would then make its recommendations to the committee as a whole.

Ms. Buchhold asked which budget workbooks would be the first to come over to the committee, and Mr. Barker said that he thought it would be Health.

Having come to no conclusions about subcommittee assignments at this point, Chairman Malone recessed the committee at 9:59 a.m.

RECESS

AFTER RECESS
1:35 p.m.

All members were present with the exception of Mr. Naughton. PRESENT

Chairman Malone called the meeting back to order. He announced that due to the considerable interest expressed by committee members in the University of Alaska and Transportation budget categories that they would be handled as a committee-of-the-whole.

Mr. Malone then discussed with the members the idea of combining budget categories so that the number of subcommittees would be fewer. He proposed subcommittees for: Health and Social Services; Natural Resources/Environmental Conservation; Administration of Justice and Public Protection; General Government and Development; and Education, excluding the University of Alaska. The committee was in favor of this idea. SUB-COMMITTEE ASSIGN.

After discussion by committee members about their subcommittee preferences, the following committee assignments were made:

EDUCATION
Gruening, Ch.
Duncan
Itta
Cowper

HEALTH, SOCIAL SVCS.
Itta, Ch.
Duncan
Haugen

NAT. RES./ENV. CONS.
Naughton, Ch.
Haugen
Gruening
Malone

ADMIN. OF JUSTICE and PUB. PROTECTION
Malone, Ch.
Guy
Cowper
Buchholdt
Naughton

GEN. GOVT. and DEVELOPMENT
Duncan, Ch.
Guy
Buchholdt
Gruening
Naughton

Individual assignments are as follows: (* indicates chairperson)

DUNCAN: Education, Health and Social Services, General Government and Development*

NAUGHTON: Natural Resources/Environmental Conservation*, Administration of Justice and Public Protection, General Government and Development

ITTA: Education, Health and Social Services*

BUCHHOLDT: Administration of Justice and Public Protection, General Government and Development

GUY: Administration of Justice and Public Protection, General Government and Development

HAUGEN: Health and Social Services, Natural Resources/Environmental Conservation

GRUENING: Natural Resources/Environmental Conservation,
Education, General Government and Development

COWPER: Administration of Justice and Public Protection,
Education

MALONE: Natural Resources/Environmental Conservation,
Administration of Justice and Public Protection*

Mr. Duncan announced a meeting tomorrow, January 30, at 2:30 with the personnel of Correspondence Study in the Juneau Community Building basement. He said that Finance Committee members were especially invited to attend.

There being no further committee business, Mr. Malone adjourned the meeting so that the Committees on Revenue Measures and Budget and Audit Recommendations could meet. Adjournment was at 2:20 p.m.

HOUSE FINANCE COMMITTEE
Thursday, January 30, 1975
2:00 p.m.

All members were present except Mr. Cowper. Also present were Kent Dawson, Director of Budget and Management, Ron Lind, Deputy Director of Budget and Management, Henry L. Masters, Deputy Director of Finance, Mark Ertischek, Assistant Attorney General, and staff of Legislative Finance.

PRESENT

This meeting is for the purpose of hearing information on HB 82, "An Act making a special appropriation to the Department of Administration; and providing for an effective date."

HB 82

Mr. Mark Ertischek, Assistant Attorney General gave the following legal background on the bill:

In 1972, the Statutes regarding personnel pay schedules were amended (Section 39, 27.022) to allow for six increments for longevity pay. There was a difference of opinion as to intent. The primary concern was whether the employees were to gain by charging for a number of years beginning with the passing of the Bill or immediately upon its effective date. The administration took the position that it was the former alternative; they were to begin counting time from passage of the bill. APEA said otherwise. The case went to the Supreme Court; the Government lost. A Superior Court Judgment was issued August, 1974, but the Department did not have the money in the current budget to pay. This Bill is a request to get the money necessary to pay the Judgment under the Superior Court ruling.

In answer to Mr. Gruening; he stated he was not involved in the Appeal, that he had only worked in the Department of Law since June, 1974, but that he had been involved previously in interpretations. The Court held that the legislative intent was ambiguous. He said the legislature had also considered an appropriation bill which would fund this. The Legislative purpose behind the program which was passed, was to put the State on a competitive basis with Federal employees. The effective date of the bill was July 1, 1972. The Superior Court Judgment, paragraphs 2 and 3 says that the time has to be counted from July 1, 1972.

In response to questions from the members of the Committee, Mr. Lind gave the following information:

The \$490,600 is the principle amount due to the employees and the interest that would have been accruing since July 1, 1972 through August, 1974 would have to be figured; the exact amount is not known. The principle amount was requested from the General Fund for simplicity. The individual pay will be

charged against the accounts and funds where the people are presently working, because people may not be working for the same agency. The 600 to 700 employees involved are throughout the State and it would probably cost more to calculate the exact charge to prior agencies than to do it through the General Fund. There are around 100 people who are no longer working for the State or who are retired; these people do not have a current record in the payroll file and cannot be issued a State warrant without special programming.

HB 82

Rep. Steve Cowper arrived at 2:35 p.m.

The Agencies throughout the State were requested to supply information on each employee, but they didn't realize the interest had to be calculated, so they had to go back to the agency and request a breakdown on each employee who was eligible by month so the interest could be computed here. This payment is final; there will be no other employees to be paid in the future. However the amount of interest due grows as the time period lengthens.

There was considerable concern expressed because the exact amount of interest due was unknown; and how questions on the floor about computation of the principle amount and interest would be answered intelligently. Mr. Masters said they were not waiting for the agency breakdown, and expected to have all the information back in two to three weeks. The maximum amount the interest could be is $\$490,600 \times 8\% \times$ the time period.

Mr. Lind pointed out that had the correct administrative decision been made originally, the money would have been paid out, so actually the cost of the interest and the cost of litigation are the only actual additional costs.

Mr. Hogan, Director of Legislative Finance suggested that the Bill could be easily split into two sections; the first to cover the principle amount, and the second covering an estimated amount to amply cover the interest with the balance lapsing.

There was discussion about the policy of passing an open-ended appropriation with no amount specified. Mr. Haugan stated that this type of bill had been introduced in the past but the Committee frequently turned deaf ears to them. It was an acceptable method however to appropriate a more than adequate amount with the balance lapsing.

Mr. Haugan left at 3:00 p.m., to attend another meeting.

When asked why this information was so late in being obtained, Mr. Dawson replied that though the Judgment was brought down in August, it was certified by the Clerk of the Superior Court on November 25, and they received the information around December 1; they did not know what happened between the two dates.

After lengthy discussion Rep. Gruening moved that HB 82 be amended with a Committee Substitute to separate it into two parts; section 1 dealing with the principle amount as indicated, section 2 with the 8% interest - as mandated by the Court on the principle amount and set \$50,000 as the interest; and any interest amount not paid on or before June 30, would lapse.

HB 82

The Committee recessed at 3:10 p.m., so Mr. Hogan could draw up a Committee Substitute to reflect the motion.

After recess
3:25 p.m.

The motion by Mr. Gruening was re-read.

There was further discussion on the unknown amount of interest; whether or not \$50,000 was adequate, and Mr. Masters said it probably would be more than \$50,000 but would not exceed \$60,000.

Mr. Gruening stated he would like to withdraw his motion; there was no objection and the proposed Committee Substitute was withdrawn.

It was the wish of the Committee to request the following information from the Department of Administration: (see memorandum dated January 31, 1975 addressed to Ron Lind in bill folder)

1. A fair estimate, plus or minus 10%, of the amount of interest due on the longevity increment increases as of February 1, 1975.
2. How many people will be receiving payments under APEA vs. State of Alaska.
3. How many of these people still work for the State of Alaska.
4. A copy of the numbers of personnel involved by agency.

This information was requested to be presented to the House Finance Committee by Wednesday, February 5, 1975.

There being no further discussion on HB 82, the meeting was adjourned at 3:45 p.m.

HOUSE FINANCE COMMITTEE
Friday, January 31, 1975
1:40 p.m.

All members were present with the exception of Mr. Duncan, who entered the meeting late. Also present were Mr. Ron Lind, Deputy Director of Budget and Management, and Mr. Ken Kareen, Assistant Director of Personnel.

PRESENT

Chairman Malone called the meeting to order, and announced that the Committee would be hearing testimony on HOUSE BILL 80 (Supplemental Appropriation - Supervisory Unit Employees). (Mr. Malone left and Ms. Buchholdt assumed the chair.)

HB 80

Mr. Lind distributed a fiscal note and explanation of the calculation of costs per the supervisory negotiations of late 1974. He explained that basically the contract provided for a 15% increase in pay and an increase in per diem of \$5 per day. The cost figure was arrived at by computing the monthly salaries for all employees involved, subtracting special funding and bond funds to arrive at the general fund cost to the state.

Mr. Lind explained that this supplemental and the figures given for the salaries reflect only the base 15% increase and not the cost of living adjustment that all state employees will receive in February. In response to questioning, Mr. Lind said that if the adjustment is 5%, that will add another \$320,000 to the figure. Mr. Haugen asked if that will require another supplemental and Mr. Lind answered yes.

(Mr. Duncan entered the meeting.)

Continuing, Mr. Lind noted that the state is taking the stand that the contract is not ratified until the legislature has approved the supplemental. It will be retroactive when approved. He said that there is no request for additional bond funds because they are appropriated in total. Additional bonds will be requested next time around. Mr. Naughton asked what positions this related to, and Mr. Lind said that the majority of these would be positions in highway construction projects. Mr. Naughton asked what positions would be from the International Airport Revenue Fund, and Mr. Lind said supervisors at the Anchorage and Fairbanks International Airports.

Mr. Haugen asked in the case of the cost of living adjustments, if they ever adjust downward. Mr. Lind said no, that this is an escalating figure.

Mr. Duncan asked when the cost-of-living supplemental would be coming in, and Mr. Lind said that they would be getting Cost of Living Bureau statistics from Anchorage approximately February 20. They won't know the amount until then.

Mr. Gruening asked if the cost-of-living increase will affect other units in addition to the supervisors, and Mr. Lind said yes, it will affect everyone but the marine union, Tri-trades, and SOS teachers. The \$300,000 plus figure mentioned for cost-of-living is just for the supervisory employees. Mr. Haugen asked who represents the supervisory employees, and Mr. Lind said APEA.

Mr. Gruening asked if there will be negotiations this year, and Mr. Kareen said that this contract is to carry through this calendar year. There will be no further negotiations until next December. APEA is now negotiating with the state on behalf of the general government employees.

Mr. Cowper asked if the percentage increase is supposed to make up for inflationary factors up until the end of the contract. Mr. Lind said that the figure is a negotiated figure. In response to further questioning by Mr. Cowper, who wanted to know on what the percentage increase was based, Mr. Kareen said that actually, the figure was arbitrary -- it was what they were able to get, so that is what they settled for.

Mr. Haugen asked if the Governor hadn't given all state employees a cost-of-living increase this summer, and Mr. Lind said yes, they got a 4% increase but at that same time the inflationary increase in Anchorage was 6.85%. He explained that by statute, there are automatic cost-of-living increases in keeping with inflationary increases.

Mr. Naughton raised a question about the 141 vacant positions listed on the explanation of the calculations. He said that he understood that certainly some of these positions were filled by temporaries and some were perhaps filled but not yet on the roster; however, that still did not explain funding all these vacant positions.

Mr. Lind said that part of the reason for this is that there are costs in addition to the 15% increase for which there is nothing specific added.

Mr. Gruening asked if these monies will all be spent or if some will lapse. Mr. Lind said that the only money that will be actually spent will be what is needed to pay employees. He said that some part of this will undoubtedly lapse, just like in the budget.

Mr. Naughton requested Mr. Kareen to furnish the committee with a statement of the number of employees filling supervisory positions on a temporary or contract basis. Mr. Kareen agreed to do so, but stated that it will take a week of staff time.

In response to questioning by Mr. Guy, Mr. Lind said that there has been no decision made about whether or not to make an estimate and come in with budget request including estimated inflationary increases or to continue budgeting at current rates and come in with supplementals for the increased costs.

Ms. Buchholdt said that she was curious about finding out the number of temporary employees in supervisory positions because she said that it was her understanding that the supervisory positions were generally filled with permanent people. Mr. Kareen said that it is true that there are fewer temporary hires in the supervisory unit than in other units, but that there are some temporary hires, nonetheless -- for example in short-duration projects.

(Mr. Malone returned and reassumed the Chair briefly, before again excusing himself and turning the meeting over to Ms. Buchholdt.)

Mr. Duncan asked if there was a supplemental last year for general government employees, and Mr. Lind said yes.

Mr. Duncan asked if this supplemental request is for the total cost of the contract. Mr. Lind said yes, and said that he felt it was important to explain that last year when the legislature made its personal services appropriation, they made a reduction for anticipated vacancy and turnover, funding personal services at 90%. Thus, the amount already appropriated is based on using vacancies, and so if additional vacancy and turnover is taken out of this supplemental appropriation, it will be below the 90% funding and could conceivably cut some positions out.

Mr. Duncan asked if it is correct then that with 141 vacant positions, they are requesting full 100% funding. Mr. Lind said no, that reduction was made because some of the positions are bond fund positions. They are not requesting full funding for 141 positions.

In response to questioning by Mr. Guy, Mr. Lind said that there has never been a specific appropriation to supervisory employees. They were covered in general appropriations.

Mr. Haugen asked about the ranges involved in this contract. Mr. Kareen said that they go from range 12 to 26, with the average probably being around 18. Mr. Lind added that there are about 240 employees at range 18.

Mr. Cowper, referring to the Agreement between the state and APEA, noted that on page 31, section 9, of that agreement, under the subject of annual leave there is language which overrules

a portion of AS 39.20.240. He asked why or how the signatories of this document could repeal a statute and thus the authority of the legislature.

Mr. Kareen said that it was his understanding that the Public Employees Relations Act which allowed collective bargaining was more recent legislation than AS 39.20.240 and since it gave the authority to bargain in various areas, including leave provisions, that was a more final authority.

Mr. Cowper asked if the Attorney General was consulted on this. Mr. Kareen said that in discussing the matter with the former Commissioner of Administration, he was told that attorneys had been consulted and he assumed that to mean the Attorney General's Office. He did not know, in response to further questioning, if this specific subject had been discussed.

Mr. Cowper asked if the various agencies are accumulating leave beyond 60 days or are they still in accord with the statutes. Mr. Kareen said that they are going beyond the 60 days. No one has been paid for beyond the 60 days, but as a practical matter, and assuming that there is a good chance the legislature will be ratifying the agreement, the records have been kept for beyond the 60 days just because it would be easier to erase the records than to go back and try to figure this after-the-fact.

Ms. Buchholdt asked about the \$68,918 "Other items" listed on the cost calculation and Mr. Lind explained that that included the \$5 increase per diem. This was calculated at four days per supervisor per month. In response to further questioning, Mr. Lind said that transportation costs are not included.

Mr. Naughton questioned the \$68,918 Other items figure and its relationship to the \$11,099 Other Costs & Rounding figure, listed under "Salary Costs: Special Funding". Mr. Lind said that the \$11,000 figure is from the Fish and Game, International Airport Revenue, Highway Working Capital, and Federal Funding sources. The \$68,000 figure is general fund. Thus the total cost for "Other items" would be around \$80,000.

Mr. Duncan asked if the supervisors now get \$35 per day. Mr. Lind said that they will now, under the new contract, get \$35 per day adjusted according to schedule for remote locations. They are not being paid that now.

Ms. Buchholdt asked what will happen if the legislature refuses to take action on this supplemental. Mr. Lind said that he would guess it would mean a court case. Mr. Kareen said that there have been similar cases in other jurisdictions, and that there has been no real consistent pattern.

Ms. Buchholdt thanked Messrs. Lind and Kareen and they were excused from the meeting.

Meeting recessed at 2:30 p.m.

RECESS

AFTER RECESS

2:45 p.m.

Mr. Malone reassumed the Chair and called the meeting back to order. Present at this time, in addition to the committee members, were Carl Gonder from the Division of Budget and Management, Commissioner Lee McAnerny of the Department of Community and Regional Affairs; Mike Harper, Deputy Commissioner, CRA; Lynn A. Wegener, Administrative Officer; and Clark D. Boston, Director of Rural Development, CRA.

Chairman Malone explained that the witnesses were present to testify on HOUSE BILL 103 (Supplemental appropriation - Community and Regional Affairs). He invited Commissioner McAnerny to comment on the bill.

HB 103

The Commissioner explained that there are two parts to this supplemental - one is to the Neighborhood Youth Corps in the amount of \$29,000; the other is \$3,148,000 to the Alaska Native Fund for the cents per barrel oil production tax percentage due them.

First explaining the NYC portion of the supplemental, Commissioner McAnerny said that this was to clear up a deficit on the books which was uncovered by federal audit. She noted that the total federal contract had been \$2.2 million, a majority of which was funding for personal services to youth of the state. Evidently the \$29,000 deficit came about because of a monthly report which was lost. There is no one in the department now who had anything to do with this, so her staff does not know exactly what happened.

Ms. Itta asked how many youth are involved in NYC and the Commissioner said 3,000 to 6,000 people per year.

Mr. Malone said that his understanding of the \$29,000 was that it was an appropriation to cover an expenditure made in FY 73. Ms. McAnerny said that actually it was between 1970 and 1972. Mr. Malone noted that the Governor's letter says FY 73, but that there is no back up as to how the overexpenditure occurred.

Mr. Boston said that apparently an invoice was misplaced for the \$29,000 which was therefore never submitted. It was mishandled. Since that time accounting procedures have been changed and upgraded three times.

Ms. Buchholdt asked if the \$2.2 million used to serve 3 to 6 thousand youth was just during the summers, and Commissioner McAnerny said no, that it was year round, from September 1970 to November 1972.

Mr. Gruening asked if the department still has the invoice that was misplaced. Mr. Boston said that this was a federal contract, modified 14 times. That does make it difficult to keep track of things. They have figured that it was an invoice that was lost, but they cannot be sure.

Mr. Gruening asked if it is possible that the money was "pocketed" and Mr. Boston said no.

Mr. Gruening asked what the state share was, and Mr. Boston said 10%. In response to further questioning, Mr. Boston said that there is no federal money to replace the deficit. It was through a federal audit that the overexpenditure was discovered. Mr. Gruening asked how often there are federal audits, and Mr. Boston said that in this program, the only audit was at the end of the program.

Mr. Duncan asked if this was the period of time, then, when the internal auditor was responsible, and Mr. Boston said yes.

Mr. Haugen asked if they had any idea how the money was spent, and Mr. Boston said that he believed it was on enrollee wages. Mr. Haugen asked if that was state-wide, and Mr. Boston said yes.

Mr. Cowper asked if, since the \$29,000 has already been spent, this isn't just an accounting measure, and he was answered yes.

Ms. Buchholdt asked if the \$29,000 could be deducted from present funding of NYC, and Mr. Boston said that right now all monies received have to be accounted for, and cannot be used to pick up overexpenditures from previous contracts.

Ms. Itta asked how many staff members are employed for NYC supervisory work, and Mr. Boston said four. Several field offices have been closed (Nome, Bethel) but the areas are still being served.

Going on to the second portion of the supplemental, the \$3,148,000 to the Alaska Native Fund, Commissioner McAnerny said that the amount due for the present fiscal year was underestimated in the FY 75 budget. This supplemental is to correct that. She explained that the Department of Natural Resources makes the projections of what is due the Native Claims Fund, and the Department of Community and Regional Affairs just "signs

the check". She explained that the reason for the underestimate is that there are two kinds of production taxes, and when oil is taxed under the percentage method, no portion of the production tax is paid into the Alaska Native Fund. However, there was an increase in the cents per barrel production tax schedule last spring, which made it more advantageous to the State to tax cents per barrel rather than percentage. Production taxes gathered under the cents per barrel tax are required by law to pay into the Alaska Native Fund 5¢ per barrel produced under State leases until the \$500 million state required amount to the fund is paid off. She said that there is statutory justification for the supplemental- AS 43.55.015(e).

Ms. McAnerny added that if she feels, since Natural Resources does the projecting for this payment, that this BRU would be more appropriately placed in that department. She has contacted the Governor and Natural Resources about this.

Mr. Wagoner elaborated, stating that all the projections CRA receives are from Natural Resources. He said that that department has prepared a computer simulation model to come up with projections which CRA uses in its request for the appropriation for this BRU. He reiterated that last year's projection assumed a percentage taxation rather than cents per barrel, and that when the cents per barrel schedule increased, the state starting taxing cents per barrel rather than percentage which then obligated them to pay into the Alaska Native Fund.

There was a brief discussion on the provisions of the Land Claims Settlement, during which Mr. Naughton explained that if the state fails to make payments, the amount will be withheld from other federal funds to the state and will be transferred directly to the Native Fund. \$500 million is the amount that will eventually be paid. Mr. Naughton explained that the Land Claims Settlement was written when the state was only using a severance tax. When the cents per barrel taxation method was begun, the 5¢ per barrel to the Fund was written in.

Mr. Naughton said that there is a floor in the cents per barrel. If the oil companies were to "hokey up" pumps so the wellhead dropped below a certain point, the state wouldn't get any severance tax, and the debt to the Native Fund would remain.

Mr. Malone asked if the state had not been taxing under cents per barrel, would the estimate for this year have been sufficient. Mr. Wegener said that it would not have been sufficient but it would have been a more realistic figure. He said that rents and royalties have also increased although by a smaller amount.

He noted that no statutory provisions were made for the cents per barrel estimates for the Alaska Native Fund. It was provided, by the percentage method, that should the appropriation fall short, the additional would automatically be appropriated to cover the liability under the Claims Act, and would be taken care of through the RP (Revised Program) process of the state.

Ms. Itta asked if they are expecting any more supplemental appropriations for Community and Regional Affairs this year, and Commissioner McAnerny said not at this time.

Ms. Buchholdt asked how much the state has paid into the Native Fund at this time, and the Commissioner said \$5,386,393. Mr. Cowper asked where the money is deposited, and Mr. Harper said that he thinks it is in Albuquerque; that is where the federal Claims money is.

Mr. Malone asked if it is true that as long as the state is using the cents per barrel tax rather than percentage, the debt to the Native Fund is being taken care of more rapidly, and Mr. Harper said yes, at this point and as long as the wellhead value does not decrease. If the wellhead value increases, it will be paid off still more rapidly, Mr. Naughton observed.

The Commissioner again noted that there is nothing in the statutes to say that Community and Regional Affairs should handle these payments, and that it would seem more reasonable to have payment come through the Department of Natural Resources.

The witnesses were excused and the committee recessed at 3:10 p.m.

RECESS

AFTER RECESS

3:18 p.m.

Chairman Malone called the meeting back to order, having reassumed the Chair.

HOUSE BILL 80 was brought up for discussion. Mr. Malone was briefed on what had transpired in his absence. He requested Mr. Hogan to come before the committee to answer some questions that had been raised.

HB 80

Mr. Hogan noted that one of the problems involved in taking up this bill at this time is that the people involved in the collective bargaining action are present in the midst of negotiations for the general government employees and so

are not available to testify at this time. He thought that the committee would benefit by hearing either Mr. Freer or Mr. Saylor, who would be more able to answer specific questions on bargaining.

In considering HB 80, Mr. Malone reminded the committee that although they may wish to amend the statutes on collective bargaining, they do not have to hold this bill up in order to do so.

Mr. Guy expressed his concern over the point Mr. Cowper had raised about the contract seeming to overrule the statutes as to annual leave, and the precedent that that sets. He wondered about the advisability of reporting this bill out of committee, and thus giving up the leverage that that might have.

Mr. Cowper, too, reiterated his concern and felt that there is a serious matter of public policy involved in allowing this overruling of the statute to go unchallenged. Mr. Haugen agreed with this.

Mr. Malone felt that this was a good point but questioned whether it was necessary to hold up the bill in order to pursue the question.

The committee examined the explanation for the fiscal note on the bill, with special concern over the vacant positions funded. Mr. Hogan was questioned about this. He said that he would suppose that some of these 141 vacant positions are being filled with temporary or contractual employees. He said that sometimes positions are filled by nonstandard persons - persons not meeting the qualifications for the job - but who, nonetheless are filling the job. These positions are still listed on the personnel roster as vacant. Mr. Hogan did comment, however, that 141 seemed a large number of vacant positions to be asking funding for.

Mr. Malone asked Mr. Hogan about the vacancy and turnover factor. Mr. Hogan said that the reason for vacancy and turnover is that if you have a given number of positions, the likelihood of their being filled at all times is small. For agencies throughout state government there are different vacancy percentage rates, from around 5% to 13%. In some cases, the legislature takes out some of the money appropriated for a budget under the assumption that there will be a certain vacancy and turnover rate.

After further discussion, the committee elected to write to

the Division of Personnel, to get more information about the vacant positions, and to the Attorney General about the overruling of the annual leave provision. (Copies of both letters are in the bill file.) Mr. Cowper read his proposed letter to the Attorney General which was sent under the signature of the Chairman. Mr. Malone said that he would also request that a representative of the Attorney General's office be made available to testify before the committee on this matter.

HB 103 was brought up for discussion.

HB 103

Ms. Buchholdt expressed her concern over two very different items being dealt with in the same supplemental. She felt that it would have been more appropriate to have had two supplemental requests.

Ms. Itta moved that the bill be reported out of committee. Question was called and on vote, motion carried 8-1, Ms. Buchholdt dissenting. Final vote on passage of the bill was 8-1, the majority report being Do Pass, with Ms. Buchholdt voting Do Pass if Amended (See her minority report in bill file).

MOTION

The meeting was adjourned at 4:30.

ADJOURNED

HOUSE FINANCE COMMITTEE
Monday, February 3, 1975
1:35 p.m.

All members were present except Messers. Gruening and Duncan. Also present were former Senator Willie Hensley who is Chairman of the Site Selection Committee, and Wayne Weeks of Budget and Management, and Andy Williams, of the Anchorage News.

PRESENT

Chairman Malone asked the Committee members if there were any procedures or policies they wished to establish to expedite the examination of supplemental appropriations coming to the House Finance Committee. A main concern was that people testifying in behalf of bills should also present substantial backup material; especially the fiscal notes should be complete and accurate. Members also wanted to have some idea of the time element from the Legislature, to give them a time frame to work within.

In consideration of Senate Bill 47, Willie Hensley was introduced. He reviewed the Initiative that was approved August 27, 1974; that it provided for the Site Selection Committee and in drafting there was provision for funding. It was created by the electorate; their powers were uncertain; they did not have a nickel to function with; only two people who were working now, not knowing when they would be paid; the Initiative calls for appointment by the Governor--nine people will be serving on the Committee and they were currently advertising for the position of Executive Director.

SB 47

Within two or three weeks they hoped to come back to the House Finance Committee with a detailed budget on what they need to analyze up to three sites that will be placed before the electorate in November, 1976. They have been given the responsibility of finding one to three potential sites and analyzing their potential for relocation; their time period is limited; most of the money will be going to technicians analyzing hydrology, climate, soil conditions, etc.

They have had several projections made as to what the cost might be but they range from one to two million dollars. The amount requested will be what they feel will do an adequate job of presenting site selections; the intention is for minimum staff--the bulk of money will undoubtedly go for various specialists and their work will probably be done by August. Hearings begin after December and before June, 1976.

In response to Mr. Naughton's question about trading private property for State property, Mr. Hensley said the only problem would be the time factor and getting all the legal work done.

Mr. Hensley believed there was another \$800,000 to be requested--the Governor's Budget Message called for one million dollars. There will be one budget for the eighteen-month time frame, and they expected to have the budget prepared around February 14. They would open bids of the different costs on February 12 and are allowing a couple days after that to finish the budget.

In answer to Mr. Haugan, it was stated that all applicants who submit proposals will have to be either an Alaskan group or affiliated with an Alaskan group.

Responding to further questioning from the Committee members, it was pointed out that this \$250,000 request was only initial funding and would be included in the total budget request made by mid-February.

Regarding the wage status of Commissioners, none will be working full time and will only provide direction for management and planning group working under them and on the public hearings. He did not know what the per diem and travel would be. The fiscal note did not show personal services; it is uncertain the amount of time the Committee will spend in meetings.

Mr. Haugan pointed out that the Initiative does not require hearings before the selection of the sites to be presented, but Mr. Hensley said they feel compelled to have hearings before so the people could voice their opinions.

The Chairman noted that only \$20,000 was allowed on the fiscal note for travel and asked if that was adequate. Mr. Hensley said the budget would give better ideas; they will have a better idea of how many hearings and how many Committee meetings they will have to have. One meeting will be here to put together the budget and will coincide with a public hearing. There are no given guidelines and they could almost spend the money in any fashion except for the strings put on by the Legislature.

Mr. Haugen moved and asked unanimous consent to send Senate Bill 47 out with a "Do Pass" with the stipulation that the budget will be submitted to the Finance Committee for approval.

MOTION

Mr. Naughton requested Mr. Hensley to keep the Legislature and the Committee apprised in regard to pay; it seems that though the Initiative does not provide for pay there should be something. Mr. Hogan said that if a daily rate was specified, then passage of the bill would be Legislative approval of that rate.

In reply to Mr. Guy's question, Mr. Hensley said they would use a competitive bid method, but would not necessarily take the lowest bid.

The motion was restated and there being no objection it was so ordered.

HB 76

As an introduction to the consideration of HB 76, Mr. Hogan, Director of Legislative Finance gave the background: The Bill was approved by the Legislature last year for a group of projects at Anchorage International Airport. The Bill was drafted by the Department of Law and was passed as written and introduced. After the session, the attorneys felt that the original language did not authorize an appropriation. This new language adds a new Section 5, spelling out the purposes for and specific amounts. (Refer to 37.15.400 and 37.15.410). It completes what the Legislature thought it did last year. He referred to the appropriation summary, page 43 of the Free Conference Committee Report. This Bill would authorize the Commissioner of Public Works to expend the funds.

There was approval for revenue bonds to be sold; revenue bonds are backed by the facilities they fund. A review showed that the revenue fund was just barely covering the bond requirement and rate increases were required across a wide range of services such as floor space rental, sea-plane parking etc.

Mr. Haugen suggested it would not be a bad idea to call the Commissioner of Public Works and ask how revenue relates to the ability to pay off at the current rate of revenue.

For specific information they would have to call on the Division of Aviation which is in Anchorage and would have to schedule a time so they could get down here. The construction of Phase II of the International Terminal Satellite wing in Anchorage (\$2,000,000) is already six to twelve months behind. The provision under 37.15.510 has to be made.

The Committee tried to contact the Commissioner of Public Works but he was out of his office.

The Chairman, after looking over the Prospectus of the Bond Sale said the official statement of December 18 of the principal and interest on Series AE bonds were covered 1.67 times by net revenue. There is a limit of 1.2 or 1.3 net earnings ratio that has to be met after incurring new debt. After the bonds are paid for they should be an amount better than the debt service due.

The Committee recessed at 3:10 p.m. to wait for a return call from the Comm. of Public Works. No call had come by 3:45 p.m. and the meeting was adjourned until 1:30 p.m. tomorrow, February 4.

HOUSE FINANCE COMMITTEE
Tuesday, February 4, 1975
1:40 p.m.

All members were present except Messrs Duncan and Gruening. The meeting was recessed until the arrival of Mr. Harris, Commissioner of Public Works.

PRESENT

AFTER RECESS
1:50 p.m.

Mr. Harris, Commissioner of Public Works arrived and consideration of HB 76 was resumed. Mr. Harris pointed out that the Appropriation Bill was for \$31,225,000 and the Bond Authorization Bill was for \$34,825,000, and the \$3,600,000 amount of this bill was to meet the difference. This bill only asks for the appropriation to the full extent of the authorization.

HB 76

In response to questions from members of the Committee, Mr. Harris reviewed several areas in the Budget Summary of the Free Conference Report:

The plans for the airports will remain essentially the same, as those listed on page 43 of the above Report. The Fairbanks terminal expansion is being reviewed, but no change has been made on it yet.

The auto parking study has not been made yet. They will be using \$150,000 this year to re-grade an area where an old aviation equipment maintenance building has been torn down to create overflow parking and storage parking until they have a complete parking plan for the airport. This amount was originally for a complete parking study for the Anchorage terminal to determine the future requirements to 1990 or so. It ties in with the master plan for the airport. The planning and engineering staff of the Division of Aviation determined the \$50,000 amount.

In answer to a question from Mr. Guy, Mr. Harris said the Master Plan is being up-dated all the time. The study was contracted out to a firm who gave an overall plan for the development of the International Airport until 1990. It is not a fixed thing, but provides a basic plan.

This contract was not let on a competitive bid basis; no professional organizations will bid competitively.

Mr. Cowper mentioned to Mr. Harris that several Committee members had felt that \$50,000 was a big sum just to study airport parking. Mr. Harris didn't know where the figure came from but it had not been used yet.

Some funds have been used for various phases. The terminal building modifications are going on; on February 13, they

will open bids for the International Passenger Terminal construction in Anchorage; the North-South runway in Anchorage is still at the stage of developing an environmental impact statement. (The runway is from federal funds--so far \$6,000,000 has been received dedicated to that use. \$155,000 was to pay the contractor); The terminal expansion for Fairbanks would be nearly \$6,000,000.

In answer to Ms. Buchholdt, Mr. Harris said the \$6,000,000 and the \$550,000 design fee would be appropriated later, and that the fee is roughly 8% to 10% of the total construction cost. There is no law that regulates the rate the architect charges.

Mr. Harris said that the professional personnel working on the Capital Improvement Program are employed by the State of Alaska. Their labor is charged to the Capital Improvement Program; if not charged to the program it is charged to the contingency. The total cost is around \$14,000,000 but they hope to get a bid around \$11,000,000.

In addition, there are a number of costs in equipping the building and allocations of costs that will come up before the House Finance Committee: About 1.6 million to install eight bridges. .

Mr. Harris pointed out that this all comes from revenue earned at the airports, and is a separate fund--revenue funds from Anchorage and Fairbanks Airports pay for all of it.

Regarding the sewer rehabilitation: A project of extending the sewer from the main terminal building is contemplated. This will be an 18" or 24" sewer line to the new Anchorage sewer facility that has been recently installed so the sewer project will be ready to receive the new building.

When asked about the current state of revenue, in particular Alaska Airlines, Mr. Harris said that Alaska Airlines was current as of a month and a half ago for the first time in years. From now on anyone past due more than 60 days will be turned over to the Attorney General's Office.

In response to Ms. Itta, Mr. Harris stated that the architects and designers in all cases have Alaskan offices or are Alaska based. There has been a lot of controversy about how much they actually do and how much they farm out to other firms in the lower forty-eight. The Fairbanks expansion design is underway at this time.

2/4/75

In response to Mr. Haugens question, Mr. Harris said they currently had a 1.7 debt ratio and were going to have to increase rates to maintain construction program. They plan to make increases the first of March and will raise the fuel flowage concession fee .05/gallon which will earn about 1.3 million dollars for the two airports.

Most of the construction is planned for this summer's construction season; not the north-south runway; the International terminal will be well under way with completion in 1977; modification under way in Fairbanks; the grading of land for vehicle overflow parking and storage parking will take place this summer. The over-run costs at Fairbanks has already been paid out.

The 10.6 million dollars in bonds will be paid off over an eighteen-year period. About 80-90 million dollars will be retired totally by revenue from the two airports.

At 2:25 p.m., the meeting was recessed. House Bill 109 was to be taken up after recess, with resumption of discussion on HB 76 after that.

AFTER RECESS

2:30 p.m.

At this time, Chairman Malone turned the meeting over to Ms. Buchholdt and left the committee room. Present at this time were Senators Bradley and Willis, Representatives Cotten and Bradley, Mayor Lee B. Jordan of the Chugiak-Eagle River Borough, Commissioner Lee McAnerney of the Department of Community and Regional Affairs, Lynn Wegener and Jack Chenowith of the Department of Community and Regional Affairs, Norman J. LeVesque, Director of Finance for the Greater Anchorage Borough.

Ms. Buchholdt called the meeting back to order. She stated that HOUSE BILL 109 (\$50,000 supplemental - Chugiak-Eagle River Borough) was before the committee for the purpose of hearing testimony; and she invited the borough chairman, Mr. Jordan, to testify on the request.

HB 109

Mr. Jordan said that the bill is part of a three-pronged approach to getting help for the borough. Last year the legislature passed a bill allowing the Chugiak-Eagle River to vote on whether or not to separate from the Greater Anchorage Borough and form a second class borough. The vote was held on August 27, 1974, and was in favor of separating. However, the newly organizing borough is in the midst of dispute on two counts; one being the constitutionality of the act itself (Ch. 145, SLA 1974) which the plaintiffs allege to have been a special act and prohibited under the Constitution, and the other being that the Chugiak-Eagle River Borough does not meet the standards specified in the Constitution for a borough. Mr. Jordan stated that there was a superior court ruling in favor of the borough. The opinion stated that Ch. 145 was a special act but was not unconstitutional. This is being appealed before the Supreme Court and they are waiting for an opinion. Mr. Jordan noted, however, that if this judgment is also in favor of the borough, the plaintiffs intend to pursue litigation on the basis of the second count. Meanwhile, there is a stipulation that the borough cannot assume, under provisions of Ch. 145, the assumption of powers from the Greater Anchorage Borough. This means that they cannot levy taxes at this time.

Copies of a preliminary budget outline for the period ending June 30, 1975, were distributed (see copy in bill file). Mr. Jordan indicated, however, that not only is the \$230,000 figure for a total inaccurate and should read \$200,000, but also that all of the figures are tentative. The borough has no financial advisor at this time, and so Mr. Jordan himself

has prepared the budget, trying to come up with an idea of the cost of forming an organization that will be ready for assuming powers on July 1, 1975.

Mr. Jordan stated that they have been given a transitional grant of \$25,000 under 29.18.180(a), and said that thus far \$9,000 has been allocated for legal expenses, \$3,000 for the school board to organize and begin looking for a superintendent, and \$1500 for clerk and administrative costs. This leaves approximately \$12,000 unappropriated. He said that the school board has found that they must engage a superintendent or consulting individual immediately. They are already behind schedule. \$16,000 is their immediate expense. He emphasized how much the borough needs financial advice and consulting in order to proceed, and they figure they need at least \$5,000 for that. Those two items already exceed the \$12,000 they now have available. Therefore, they are now trying to find additional ways of getting these needs met, but they have found none. Because of the litigation, they are not in a position to borrow money from a bank. As a result of the court order preventing them from assuming powers at this time, they are unable to engage in a note program which would extend beyond the first of the year because they would in effect be levying taxes. The only avenue they can see open to them now is to ask for help. Mr. Jordan said that he realized they could not ask for \$200,000, but he said he did not feel unjustified in requesting the amount of \$50,000. He said that it was indicated by the former administration and by some members of the legislature that the transitional grants to organizing municipalities should be increased from \$25,000 to \$75,000. That would be closer to what is reasonable (actually, \$120,000 is closer to the fact, he said). There is a proposal now in the works which would making a loan available to the borough, which would pay it back from future revenues and could be done without violating the court instructions. However, their need is immediate and he felt that they very much need the grant.

Ms. Itta asked who the plaintiffs are in the litigation, and Mr. Jordan said that there were 23 people who signed - some are residents, some own property in the area.

Mr. Cowper asked if the superior court decision was in January, and the Supreme Court has already heard the case, how long it would be before this matter was cleared up, indicating that possibly it would only be a short time before the borough could assume powers and borrow or tax. Mr. Jordan said that it could be from two weeks to several before a Supreme Court decision is handed down, and emphasized that the borough is already behind schedule, and time is of the essence. He further noted that

the plaintiffs have stated that they will go to court on the second count should the Supreme Court rule against them on this one.

Mr. Cotten, one of the sponsors of HB 109, testified on the bill. He said that it was introduced for a couple reasons. The main reason was that the sponsors felt that there was a certain amount of state responsibility involved in the problems the borough is now facing, particularly in the legal question. The state was named as a prime defendant in the case, but the borough has financed the defence. He said that the legal estimate for expenses is between \$36,000 and \$60,000 depending on the court ruling. In addition, he stated that there is a companion bill calling for an increase in the organization grants. He said that this \$50,000 grant requested certainly will not pull the borough out of the hole -- they are not asking for the state to bear their entire organizational cost. However, he did feel the state has some moral and legal responsibility to the borough.

Mr. Guy asked if the borough has any tentative projected cash receipts. Mr. Jordan said no, and that the tax statements going out in June will be by the Anchorage Borough. Under the system in which the Greater Anchorage Borough operates, a certain percentage will go back to the Anchorage Borough, and a certain percentage will go back to the Chugiak-Eagle River Borough.

Mr. Naughton asked about assessment. Mr. Jordan said that the assessment is current and they will be sending out a billing. Mr. Naughton asked if there is an estimate of the assessed valuation, and Mr. Jordan said that they have an estimate of around \$130 million. Mr. Naughton asked if they have any idea what the mill rate will be. Mr. Jordan said no, that until they can get a budget prepared they will not know. The closest they can come to an estimate is from a study provided by Community and Regional Affairs in conjunction with the August 27 incorporation election. That showed that if the new borough provided the same services at the same level as the Greater Anchorage Borough, the rate would be between 18 and 19 mills. The current rate is approximately 13 mills. On that method, there would be a .5 mill increase in taxes. He said that they hope to find ways of reducing the cost of services without reducing services.

Mr. Naughton asked if there is a city of Chugiak and a city of Eagle River which would also be levying a millage rate. Mr. Jordan said that in Chugiak it is about half a mill, and in Eagle River, 1.43 mills.

Mr. Guy asked what the population of the area concerned is, and Mr. Jordan said that the Anchorage Borough Planning Department has a figure in excess of 10,000 persons. 8,500 was the figure a year ago.

Mr. Guy asked if the intent of the \$50,000 request is to get the borough through the present fiscal year. Mr. Jordan said that the \$50,000 would assist them in meeting their immediate costs.

Ms. Itta asked if they are receiving help from Community and Regional Affairs. Mr. Jordan said yes, that as far as the Department is able to help they have -- they have provided advice, methods of doing things, and they may possibly be able to provide some staff assistance.

Ms. Itta asked about the Commissioner of Education and the school board. Mr. Jordan said that they have been very cooperative, as has the Greater Anchorage Borough. Speaking of the Greater Anchorage Borough, he said that there has been no friction, but the simple fact remains that that borough's responsibility to the Chugiak-Eagle River area ends on July 1. They have no obligation to help in the defense of the legality question or in the formation of the separate government.

Senator Bradley at this time emphasized the urgency of this request. He said that if something is not done immediately, schools may not be able to open. He made a plea for the committee's sympathy.

Senator Willis also testified as to the importance of the time question. Rep. Kelley reminded the committee that if the action presently in court is solved, there still will be litigation over the second legal question.

Mr. Naughton asked Mr. LeVesque, Director of Finance for the Anchorage Borough, if that borough received special consideration in its organizing. Mr. LeVesque said that that was a different situation. There were existing P.U.D.'s for Anchorage and it was not like "starting from scratch". He said he could not recall if there was any kind of transition grant.

Commissioner McAnerney testified that she does realize the new borough needs help, although she personally favors the idea of a loan over a grant. She said that her department is giving all the support it can and is in fact trying to arrange for temporary relocation of one of their employees to the Anchorage office to work with the borough.

Mr. Naughton asked whether if the bill is passed there is a vehicle through which the Department of Community and Regional Affairs can move the money to the new borough.

Mr. Chenowith said yes, under 29.18.180. He said that the precedent for loans is the North Slope Borough, who then marketed revenue participation notes in FY 73. He said that it was between the borough and the Department of Revenue.

Mr. Naughton asked Mr. Jordan if it is correct that the courts have enjoined the borough from sale of bonds. Mr. Jordan said yes, but they would not be levying taxes if they paid back their debt with tax refunds from the state (i.e. amusement tax refund).

Mr. Cotten said that he feels the state should face up to its legal and moral responsibility to this new borough. The \$50,000 doesn't necessarily cover the whole obligation, but at the moment the fact is that time is of the essence and that the emergency of the situation shows the need for the appropriation. The process of obtaining a loan will take time, and the proper groundwork for that is being done now. However, that does not take care of the immediate need.

Ms. Buchholdt asked if the statutory authority for the grant, 29.18.180(a) which states that the transition grant shall be based on \$10 per voter or a \$25,000 minimum, refers to numbers of people who voted or to population. Mr. Chenowith said that that refers to voters.

There was discussion on whether or not there is statutory authority to make a supplementary \$50,000 grant. Mr. Cowper felt that the statute indicated that the amount is to be \$25,000 for this number of people, and was concerned about increasing that amount and having other municipalities coming in with requests for similar grants. There was also question raised as to whether or not 29.18.180(a) as it is now written actually does give authority for the additional grant. Mr. Chenowith noted that HB 109 ties into HB 100, another bill which does amend the statutes, changing the transition grant from \$25,000 to \$75,000 or \$10 per voter to \$25 per voter.

Mr. Cotten referred to the Community and Regional Affairs Committee substitute for HB 109, which does not tie the effective date in with HB 100, as does the original bill. However, he noted that it may be then that the authority does not exist for the grant under 29.18.180.

The question of division of assets and liabilities was brought up. Mr. Chenowith said that the Department of Community and

Regional Affairs acts as staff for the Local Boundary Commission, and does much of their "legwork" and paperwork. They took a look at the session laws relating to the assets and liabilities and without precedent in the state and given the complexity of the situation, they have requested an appropriation of \$25,000 to go and engage outside assistance to lay down and describe methodologies of allocation. He said that because the department does not have any expertise, any decision that they make is amenable to challenge as being arbitrary. This could go into courts then. Having the outside study would be some protection against this.

Mr. Haugen suggested that a subcommittee be appointed to look into this subject further. The Chair appointed a subcommittee made up of herself, and Representatives Guy, Haugen and Cowper.

Meeting adjourned at 3:35 p.m.

CORRECTION

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

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Meeting adjourned at 3:35 p.m.

HOUSE FINANCE COMMITTEE
Wednesday, February 5, 1975
9:05 a.m.

All members were present except Messrs Gruening and Haugen who both arrived shortly after convening. Others present were Allan Adasiak, Executive Director of the Commercial Fisheries Entry Commission, Rep. Al Osterback District 15, Rep. Nels A. Anderson Jr., District 16, Don Clocksin and Neil DeGoojer of Alaska Legal Services and James Rhode and Dee Frankfourth, interested citizens.

PRESENT

This meeting was for consideration of House Bill 95, "An Act making a supplemental appropriation to the Office of the Governor, Alaska Commercial Fisheries Entry Commission; and providing for an effective date." (\$50,000).

SB 87 am
HB 95

Mr. Adasiak briefly explained the need for the money and passed out samples of the application forms with instructions that had to be filled out to apply for Limited Entry permits. Not only is the form complicated, but there are nineteen fisheries to consider and then the decision of who will be able to fish and who will not. When they first found people were having difficulty with the forms they had training sessions in various places from November 29 to December 18. These were mostly for professional people to teach them how to figure points and to get the maximum number of points, so they could help the applicants fill out the forms. The Commission will enter into contracts with organizations and individuals to provide assistance in some areas; depending on population, culture, language differences.

Responding to Committee member's questions, Mr. Adasiak told them that some of the regional corporations they had contacted had come up with a cost breakdown. Bristol Bay Native Association for \$10,000 will cover twenty-nine villages in the Bristol Bay area and will employ six people. The training sessions were held in eight locations and cost approximately \$200 each--a very rough estimate. Most sessions were held in conjunction with other meetings in the areas such as the Fish and Game Board Meeting in Ketchikan.

The Commission sent out 11,300 mailers announcing the applications were available; 2,500 to 2,600 have been received back and about 20% of those had errors or omissions and required another letter, and of those requiring the first letter, 15% required writing a second time. They are aware of about 3,500 people who are eligible for permits who have not requested an application.

The \$50,000 will cover salaries, travel and per diem. The agencies they have contacted also want to get out and help.

2/5/75

Some contracts have been negotiated, very tightly and most costs are travel and per diem. They will monitor the on-going program.

HB 95
98 87am

Mr. Adasiak also stated that though there is a March 18, deadline, that if the form has been received even partly or wrongly filled out they consider the deadline met. A sixty-day extension can be asked for. There is a special circumstances claim a person can enter on the application to demonstrate that his fishing was not what he normally did, and he can get points anyway. For example if his ship was down with engine trouble and he couldn't fish. If there had been an official public statement urging fishermen not to fish, a person could probably be given credit, but if he exercised his own decision, he might not be given points.

The organizations contacted so far were: Aleut League, the Bristol Bay, Kodiak, Chugach, and Cook Inlet Native Associations. The terms of the contract are to make assistance available in a specified area; to make people aware of the right to apply. The Chairman requested a copy of the contract and a list of the proposed contractors.

Mr. Duncan asked about the contractual services and travel used during this year and was told that if they hold tight on contractual services they should end up about \$2,000 in the hole; however, there will be money not used up in travel and that transfer would cover the deficit. The Commission should end up with a positive balance, unless he did something wrong. But they do not have \$50,000 to fund this program with.

In answer to his question, Mr. Guy was told that Fish and Game put out a notice in two or three fishing areas that if people could do something else besides fish there, it would be better. Mr. Guy requested information on those notices.

Mr. Haugen asked about the possibility of using someone from the Attorney General's staff to go out into the field; or cannery people. Mr. Adasiak answered that in Seattle, some of the 150 people who attended the training session were cannery people and they would go into the field and in addition to licensing, would help fill out applications. In Alaska, approximately 60-80 Alaskans attended these training sessions. The Chairman requested a list of these people, and drew attention to the vast difference between the Alaskan attendance and non-Alaskan attendance. Mr. Adasiak stated that the sessions were announced in advance; attendance was voluntary, though the Chairman wondered how voluntary the cannery employee's attendance might have been.

2/5/75

Answering Ms. Buchholdt's question, Mr. Adasiak said that 80-90% of those in attendance passed the tests at the end of the training session and were qualified to help fill out applications; however, some say they feel helpless in the face of real applications while others seem to be doing fine. He guessed the training session "took" on about 50% of the people.

In response to Mr. Osterback's question, Mr. Adasiak said the point information was obtained from their records on fishing tickets, licensing etc., from 1969 to 1972. The Commission has a printout showing who has what points according to those records; however, the records are not complete and there could be more points. Wherever there is a person who has points on record they were listed on the forms mailed out asking if people wanted an application.

Rep. Anderson mentioned that HB 95 was a companion bill to SB 87 except for the amendment which was only a technical change in the language. He emphasized that the March 18 deadline was rapidly approaching and he would speak in favor of expediting the bills to give citizens the opportunity to fill out applications if they are qualified. If they don't fill out applications they cannot fish. There are some individual citizens helping, but since the State of Alaska passed the law and came up with the application, there should be a measure to help in complying.

Don Clocksin also spoke in support of this supplemental appropriation saying there was a very desperate need. He had many affidavits attesting to the difficulty people were having in filling out applications. He would support any State assistance. His staff has been helping and having difficulty themselves. They are involved in a suit to try and simplify the form. The thrust of the litigation is to seek State assistance to complete the forms or to simplify the forms to see that every eligible native Alaskan is able to make application for a limited entry permit.

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

AFTER RECESS
1:05 p.m.

The meeting was called to order with all members present except Mr. Naughton. Also present were Representatives Ostrosky, Osterback and Anderson, James Rhode and Dee Frankfourth, interested citizens, press and staff. Mr. Alan Adasiak, Executive Director of the Commercial Fisheries Entry Commission arrived later.

PRESENT

Discussion of Senate Bill 87, a supplemental appropriation to the Alaska Commercial Fisheries Entry Commission, was resumed. Mr. Haugen was against the bill; Ms. Buchholdt was for it because it helps the people who need it; Ms. Itta agreed that the State of Alaska had been very neglectful throughout the planning effort in this Commission; Mr. Anderson said the Senate had had similar questions to the Commissee; he felt this appropriation to be a "bandaid" measure to the act itself, and said the Senate Resources Committee was concerned about the fishermen who were faced with a March 18 deadline.

SB 87

Alan Adasiak arrived at 1:20 p.m. and passed out the information that had been requested by the Committee members in the morning meeting.

In answer to Ms. Buchholdt question about the consideration of resident Alaskans or persons eligible to apply that were out of state or in the service, he said that there were 3500 people whose original Request-for-Application cards could not be delivered. They will examine the cost feasibility of running a legal ad, and the lists will be given to each contractor of the people within his group; they are exploring various avenues for getting word out. Ms. Buchholdt suggested that newspaper advertising would be a waste of money, that radio or T.V. would be better.

Mr. Adasiak's breakdown of the use of the \$50,000 was an approximate \$35,000 to \$40,000 to corporations or organizations for contracts and the remainder for temporary employees where needed. Some contracts may be written with individual people where it seems most effective to have one person.

There would be on-going monitoring of the program by phone because of short time period. The contractors will indicate on the application if someone else prepared it; keep a record of new addresses, social security numbers and if assistance was provided; and there is an allowance for the State to require any reporting requirements it feels necessary.

The Bristol Bay Native Assn., has already signed a contract and is in the field working; Kodiak and Chugach Native Assn.,

contracts were in the mail; Aleut League will go along; Cook Inlet Native Assn., they were having trouble getting hold of; SEACAP was all set to sign a contract and have been working for free during the month of January since two of their people attended the training session.

Several members question the \$15,000 for attorney fees. This is an item they discussed with the Department of Law last October or November when they thought a suit would be filed and did not know what they would be up against or how big the litigation would be. The suit was filed last week and expect a ruling on the Temporary Restraining Order (TRO) this coming Saturday. If a preliminary injunction were granted it might change attitudes and perhaps additional funds would be available from other sources. In that case they will need the money.

There was brief discussion of the list of people attending the training sessions. Mr. Haugen felt it would be unwise to rely completely on cannery people since natural inclination would be to take care of cannery people.

Mr. Adasiak said that the revenue collected as shown in the 1974 Annual Report, went into the General Fund. Their 1974-1975 Budget was about \$694,000, but there were double appropriations of which a large part were put into funds never touched and lapsed at year end.

In answer to Rep. Anderson, Mr. Adasiak said that the Contract with Bristol Bay Native Assn., is to provide assistance to twenty-nine villages within their boundaries; they still don't know how to treat contiguous areas, it is still under consideration.

Mr. Adasiak also said they got money from National Marine Fisheries Service to support economic research and data processing operations; they got \$63,000 this fiscal year, and have a contract written to run another two years but it is contingent on year-end monies each year.

There was discussion of possibly licensing for shrimp, but Mr. Adasiak pointed out that the set up for the shell fish industry was different; that they probably will go into it but would take a different approach, rather than impose the system they have on it.

It was emphasized that only an individual can own one permit per fishery, so the canneries could not amass permits. Also permits are not subject to repossession, so if a cannery did loan a fisherman the money to buy a permit, he could not repossess it if the loan were not paid. It is hard to evaluate what the individuals who own permits will do when they are through with them and wish to sell or dispose of them.

In response to Rep. Anderson's question about distressed areas, Mr. Adasiak said that the six distressed areas are in addition