

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2570

Mr. Dawson said that in going back over the agency's budget, they have found that there are some chronic problems and he said that they have not been asking for enough money all along.

Mr. Duncan asked if the Senate bill did go through, what would be eliminated in the 76 budget and would it be critical. Mr. Lanier said that he thought they would have to defer certain maintenance work until 1977 and this might make their budget in that year short or they might again have to request another supplemental.

Mr. Dawson said that basically it was the conclusion of Budget Review that this area would not be a very good place to try to save money. Mr. Clemens said that in the Governor's Review to add money to CAP money was reallocated from another area in the Department to give money to CAP. The department agreed that CAP was a higher priority.

Looking at the budget, Mr. Guy asked some question referring to engines and their costs, which seemed to vary to quite a degree. Mr. Clemens said that without the operation people present, he was unable to explain the differences in cost or to what types of planes the costs referred. He agreed to find out, however, and respond in writing to Mr. Guy's inquiry.

Mr. Guy noted that according to their documentation, there was a \$3,500 new engine purchased as an unanticipated expense, and he wondered what made CAP decide to make that purchase. Mr. Clemens said explained that the CAP gets these airplanes surplus and they have what they can expect to be reasonable engine lives. Sometimes they do not last as long as anticipated, however, and there can be a couple reasons for this. One was pointed out by Mr. Anderson in another hearing, and that is that CAP planes have several pilots and that may have an effect. He said that he is certain that they make an effort to take good care of the aircraft, but they just have volunteers and they are operating continually "on a shoestring".

Mr. Dawson also commented that he would imagine there have been more flying hours than they had anticipated and so there has been more wear and tear on the planes.

Mr. Malone referred to a February 27 letter from Mr. Anderson stating that without this supplemental the Alaska CAP stands to lose these planes. He said that he realizes the national headquarters would have the authority to move them, but practically speaking he wondered how they would do so with the planes not being in operational condition; and he wondered if another state would want to take them in that condition. Mr. Clemens said that

what he thought would do is give the state notice, and then the other state would come to Alaska and fix the craft here, and then fly it back.

Mr. Cowper wondered whether CAP could get maintenance work on their aircraft through the air national guard, and Mr. Lanier said he did not think so. Mr. Clemens agreed, although he said they could work as volunteers. Mr. Cowper suggested that they look into this as a possibility. He said that it is done in some states.

The Chair requested that the questions on the planes need this overhaul, how long they have been out of service, and the other questions asked by the committee be researched and answered as soon as possible. Mr. Clemens thought they would be able to have answers by Tuesday.

Meeting recessed at 3:32 p.m.

RECESS

AFTER RECESS

3:46 p.m.

All members were present except Ms. Itta, Ms. Buchholdt, and Mr. Gruening, and Mr. Hogan, Director of Legislative Finance.

PRESENT

The Chairman announced that Committee Substitutes for HOUSE BILL 263 and HOUSE BILL 109 had been prepared and though they had already moved to report the bills out, he wanted the Committee members to look them over.

HB 263
HB 109

Mr. Duncan was asked to describe HOUSE CONCURRENT RESOLUTION 20 since he was the prime sponsor. He stated that it requests the Department of Public Works to allow official school activity groups free travel on a space available basis between November and April. There is no fiscal impact except perhaps increased purchases on the ferries. It could have a financial impact to the school district in reducing their travel budget, but he didn't know to what extent. Mr. Haugen remarked that either way it was paid for by some government entity.

HCR 20

Mr. Duncan told Mr. Guy that teachers would be included only if they were chaperones. He further related that during the months noted it was like traveling on your own yacht.

This would cover only the boarding fee; no staterooms or any other services would be paid for. There might be additional revenue due to increased utilization of the system and food and cabin space.

(Mr. Naughton left the meeting).

Mr. Haugen recalled the resolution last year passed regarding senior citizens. He asked if Marine Highways had been told about this. Mr. Duncan said he had not talked to them; he had assumed that if Marine Highways objected they would appear to testify. The only possible thing he felt they might object to was having kids on the ferry at all. They don't want to cater to the young people at all, but he "doesn't buy this."

Mr. Haugen mentioned the vandalism youngs kids seem prone to; Mr. Duncan commented that some of the older people perhaps contribute to that.

The Chairman said the wording in the senior citizen's bill was basically identical. Mr. Hogan said it would probably be difficult for Public Works to estimate the "revenue loss" because they don;t know how many groups of students travel now and can not know without testing how many would travel next year.

Mr. Duncan told Mr. Haugen that the Gold medal Tournament is not an official school activity; Mr. Haugen corrected himself to say the Southeast Alaska Championship, which would be included within the mentioned group. Mr. Duncan said he could not imagine the passing of this resolution making any change or re-scheduleing of the ferry system necessary. If the schedule doesn't fit their schedule they will have to fly.

In many cases they find it easier to fly because of time constraints, but Mr. Duncan felt they should be encouraged to use this as a cheaper method. He told Mr. Guy that in the case of senior citizens and school activity groups both going at the same time, it would be on a first come, first served basis.

(Mr. Naughton entered the meeting).

Mr. Malone asked whether the scheduling would be affected by these free trips, and the possible impact on the existing operation, or problems caused by younger groups as opposed to the senior citizens traveling on the ferry system. Mr. Duncan replied that he could see no increased problems with the kids; he thought the school system was utilizing the system as much now as it would then. Taking away the fare would not reduce the usage, only the cost to the school.

(Mr. Cowper entered the meeting).

Mr. Haugen stated that he would like to contact to the Marine Transportation. Mr. Cowper agreed, that either the Director of Marine Highways or the Commissioner of Public Works should be contacted.

The Chairman assigned Mr. Duncan to get a written statement from the Division of Marine Transportation, Department of Public Works regarding HCR 20; and if there seem to be problems they will be invited to appear.

Mr. Duncan commented that this might be making a "mountain out of a mole hill", that this bill specifies Alaskan points of travel. Mr. Haugen said that all the schools collected money to attend these events; if it isn't used for one way it goes for something else. The future subsidy to the Marine Highway system has to be fought. He said he wasn't opposed, just felt the Committee should have a clean bill of health when it was reported out. Mr. Duncan answered that he would be happy to talk to Marine Transportation and hoped they weren't looking for trouble.

The Chairman announced a meeting at 9:00 a.m. Saturday, March 8, to review the Health and Social Services budget.

At Mr. Guy's request they took under consideration HOUSE BILL 3 HB 3
"An Act providing for the dedication or acquisition of park, open space and recreation areas."

Mr. Haugen pointed out that the Bill has no fiscal note; it probably should go to House Rules or Judiciary Committee. Mr. Duncan thought it would be wise to move it out of committee and get it to some other committee.

Mr. Duncan moved that the Committee Substitute for House Bill 3 be reported out of Committee with the recommendation that it go to the Judiciary Committee. MOTION

The Chairman outlined the changes made by the amendment: to change the word "regulation" to "ordinance" in line 10; to change the word "regulation" to "requirement" on line 12. He said if it was agreeable to the motion-maker and committee, they could

just send the proposed amendment out and save one printing. HB 3

Mr. Cowper objected, saying he thought it was a bad bill, but maybe the precedent should be set of sending it back to the Judiciary Committee where it belonged.

The roll was called; there were 4 for the motion; 2 against; the motion carried. Motion Carried

The meeting was adjourned at 4:28 p.m. ADJOURN

HOUSE FINANCE COMMITTEE
Saturday, March 15, 1975
9:10 a.m.

All members were present with the exception of Reps. Cowper, PRESENT Gruening, Naughton, and Duncan. Also present were Rex I. Bishopp, Harol Esmailka, David Beusmuster [signature difficult to decipher], Jim Dodson, Jr., Tom Parker and Steffanie Parker.

Chairman Malone called the meeting to order, announcing that the people present to testify on HOUSE BILL 63 (Creation of the Department of Transportation) were from the Alaska Air Carriers Association. He said that the State Affairs Committee has reported out a committee substitute on HB 63. The witnesses were invited to testify. HB 63

Mr. Tom Parker, President of the Air Carriers Association read a resolution from that organization giving their position on the matter of creation of the department. He emphasized great caution in implementing a new DOT and expressed the feeling that existing state agencies would be more responsive to state needs. He reminded the committee about the virtual collapse of the federal DOT and spoke to the difficulties being experienced by DOT's in other states. He said that it is their position that the end result of a DOT in Alaska will mean a loss in services offered, not an increase in efficiency. He stressed the importance of responsiveness at this time and said that it would appear in the long run that what the state already has would be more beneficial. He again urged caution in proceeding with development of this new department.

Mr. Malone, referring to the resolution, asked if their main concern is that some of the different modes would be subordinate to others -- for example, aviation might not receive its due attention in a huge DOT. Mr. Parker said yes. Now they enjoy the responsiveness with governing bodies that he feels is necessary for a healthy industry, and they feel they would be "lost in the shuffle" in a large DOT. They feel that for the dollars spent, the result will not be commensurate with their goals.

Mr. Malone referred to Mr. Parker's statement that in the other states with DOT's and in the federal DOT things have not gone very well. He asked if they have specific examples of where the problems have come in. Mr. Parker said that he had no specific details on the failures or lack of responsiveness by the DOT's in other states. However, they feel that at this time in Alaska their needs can be better met by the existing system

CORRECTION

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

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and perhaps developing some type of multi-module planning.

Mr. Haugen said that he is himself opposed to the development of a DOT. The federal government tried it and it did not work. They have never gotten together and now they are spread out again. In his opinion a DOT is not going to solve any of the state's problems. Highways is a function all its own. Marine Highways is not related to the construction of roads. Aviation does fine by itself. He said that he feels everyone ought to "run their own show" and he felt that a DOT would not cut the expenses of the state.

In response to questioning by Mr. Guy, Mr. Parker said that they are opposed to the concept at this time. In response to questioning by Mr. Guy about an overall transportation plan, Mr. Parker said that they do look forward to an overall statement of policy by the legislature about transportation and they do want to see coordination of the different facets of transportation. They feel that the market dictates the mode of transportation, and they think that their efforts should be aimed at some long range planning instead of at discarding the existing system.

Mr. Guy asked for their thoughts on HB 63 and the committee substitute. Mr. Parker said that the committee substitute is a "watered down" version of the original bill and is just an attempt to have something. He said that he doesn't think it achieves their overall goals and it is of no practical purpose at this time. They would rather that nothing be done as far as a Department of Transportation. They think that improving the existing structures will accomplish much more.

[Mr. Gruening entered the meeting.]

There was testimony ~~about the things~~ the Association does want. They have been concerned about the Division of Aviation, which has not been responsive to needs, particularly in the maintenance area. He said that they have had some discussion with the administration over the past couple days and he said that he thinks they are going to see a real emphasis on establishing some new direction in getting the departments doing what they are meant to do. They are hoping this will mean more responsiveness. The DOT would just create a new bureaucracy and there is no reason to assume that it would be more responsive -- things would if anything be "even more easily buried". What the Carriers Association wants to do is to wait and see how things "shape up", and if that doesn't work, then maybe try a DOT. They feel, however, that if the legislature is absolutely committed to some kind of legislation, the committee substitute (State Affairs) is probably the better

route to go. They would much rather see a great deal more emphasis strictly in the master planning and would like to see a state transportation policy developed before going into this new state bureaucracy. They do not feel that any money is going to be saved, but think that it will probably mean increased costs to the taxpayer. In the aviation industry, what they want to see are strips built and maintained and additions of things like lights, so that they can get airplanes on the strips in a safe manner and serve the public who depends on that transportation. Money has been appropriated but the strips are not being taken care of. Mr. Guy asked what the reason for that is, and he was answered that they feel there has been a lack of executive direction. This can only be done by top level management saying this is what should be done. The legislature's responsibility should be to come up with a master transportation policy statement for the state in a certain time - perhaps a year - and get that plan done before going into a DOT. Mr. Parker said that after the transportation policy is formulated and these goals are established, it may be that a DOT would be the best means of accomplishing the goals -- but at this time it appeared to him creation of such a department would be a mistake -- they don't even know if it is needed.

Mr. Malone said that one of the reasons that has promoted this approach in this legislature and previous legislatures has been the lack of responsiveness. He said that he himself is not sure that a DOT would accomplishing anything yet, but he thinks the point of establishment of policy is well taken.

Mr. Haugen said that he doesn't think they have to worry about Commissioner Harris of Public Works. He said that he thinks things will shape up. There is a minimal problem in Southeast as compared to other areas of the state.

There was more discussion about the fears of the Association about one mode of transportation being subordinated to others, and also their fear of the DOT becoming a "monster" of a department. Ms. Buchholdt asked why the reason for the concern about one mode taking precedence over others when the responsibility of the department would be for all modes of transportation. In response to her, the example of the federal DOT was brought up. Apparently they were preoccupied with the dilemma of the railroads, and as a result the organization has practically collapsed. The FAA is an example of an organization that really suffered. They have had no backup from the federal DOT.

In response to questioning by Mr. Guy, the remark was made that the Air Carriers Association is not really involved in the corridor concept to any point. The air industry does not depend

on corridors to operate. Mr. Guy asked if they had done any research on hovercraft type vehicles, and he was answered no, they really don't get into that. Mr. Parker said that he knows there has been some work with hovercraft, but the Association is fairly partial to fixed and rotary kinds of aircraft.

Ms. Itta asked about the membership of the Association. Mr. Parker said that their current membership stands at 83, and that represents all areas of the state. Ms. Itta asked of the 83 members, how many fly around the Pipeline route, and Mr. Parker said 10 to 15. It depends on who has contracts. There are no major contracts up there. Ms. Itta asked how long they have been an association, and she was told that they formed in Southeastern in 1966. In response to continued questioning by Ms. Itta, Mr. Parker said that they have dues, and they also have associate memberships for service organizations and other interested people. A regular membership is \$100 per aircraft.

Mr. Haugen asked about the government "getting in the airline business" and he was answered that they think they have gotten that problem in hand and that there will be a great reduction in the air fleet of the federal government. Mr. Parker said that, however, that is an increasing problem in the industry. They are regulated in several way -- CAB regulations, economic regulations, ATC regulations, FAA. He particularly mentioned the test flights that ATC is now coming around and doing and which the FAA is already doing. Recently Alyeska has come out with a similar program; check flights of personnel and equipment. Most recently OAS has come out with a similar manual with check rides, inspection, etcetera. They have a tremendous problem with all these regulations.

Mr. Gruening asked if their association has any particular complaints about the Transportation Commission or anything they would want improved. Mr. Dodson said that their only problem is the general administrative organization and the quality of leadership. Their big problem has been the inability to get information from the commission in a timely fashion.

Mr. Parker said that they can see that there are problems in administering several agencies -- with limited staff and the tremendous amount of new applications per month. On a very limited budget, he said that it is bordering on inefficiency because of the work load. Some applications go on and on, and even routine things are put off for long periods of time. He said that they don't have the pertinent facts with them at this time to elucidate the problems but they would be glad to organize that and send it to the committee.

In closing remarks to the committee, the Association's position

against the creation of a state DOT was reiterated. They feel it would be unwieldy; they feel there is the possibility of one mode of transportation being subordinated to others; they feel it will be easier for problems to be "buried" and more difficult to trace the responsibility for actions; they feel that without a state transportation policy statement, there is not sufficient justification for creation of the department. One final comment was that should a DOT be created, they would hope that the Alaska Transportation Commission, as a quasi-judicial type of commission, would not be placed within such a department.

HB 63

Meeting recessed at 9:55 a.m.

HOUSE FINANCE COMMITTEE
Tuesday, March 18, 1975
8:50 a.m.

Committee members present: Chairman Malone, Mss. Itta and Buchholdt, Messrs. Duncan and Naughton.

PRESENT

Committee members absent: Messrs. Cowper, Gruening and Guy. Mr. Haugen arrived later.

Others attending the meeting: Garrey Peska, Legislative Auditor; Jim Walker, Systems Analyst for Legislative Audit; Ken Roberts, Photographer and Elaine Mitchell, Alaska Public Radio, and Jay Hogan, Director of Legislative Finance.

The meeting was called to order to hear the program and information Legislative Audit has at their disposal which might be of interest and use to the Committee.

LEGISLATIVE
AUDIT

Using the Documentation of the Financial Audit System as a worksheet, Mr. Walker explained the objectives of the system: (1) To establish a transaction oriented financial data base to accurately reflect activities of the various programs within the State; (2) to allow auditors to easily access this data base in a selective and flexible manner; and (3) to display this information in terms of both content and format, in a manner consistent with defined audit steps and procedures.

Financial
Audit
System

He reported the development of a computer system and "software" to accomplish audits, about two years ago. The transaction file is kept on a daily basis; and a monthly file. Every document goes through the PBA Data Process.

They can compare at the lowest level, all transactions made in the State of Alaska. For example, personnel data: salaries and distribution by employee, location, pay rate or position control number. Other data bases might be vender masters or budget planning master.

The information available at the present time is from July 1, 1972, through February 28, 1975.

Explaining the Data Elements: The collocation Code, by number is a chart of accounts which indicates the Department, Program, Division, element and object code. It generally takes about an hour or two to set up the type of information wanted; the information is usually available the next day.

Data
Elements

Mr. Hogan suggested this might indicate how some agencies do or do not keep up their books. Much of the committee's interest is in current expenditures. An example would be the end of the third quarter; it might be useful to look at the figures for the current year, but frequently there is a lag. Mr. Peska reported that the Department of Administration has been on a big campaign to get bills paid so the situation is not too bad.

3/18/75

The Object/Receipt Code tells what the expenditure was for; the Transaction date, Warrant number, Document number are all self-explanatory; the Reference number refers back to the original purchase number; the Transaction code tells what kind of transaction it was; Prior Year Flag indicates the year the transaction applies to; Transaction description and Transaction amount are self-explanatory; The Project Code gives a finer level of detail on costs and revenue summary, and is generally used with federal programs; the Vender Code is the number on record for all major vendors.

Data
Elements

From the above Data Elements they can construct a series of reports such as: PBA Extract and Report Writer, Trial Balance Work Papers, Authorization Report, Payroll Reconciliation Report, Terminated Employees Report, Temporary Employee Report, New Hire Report, Over-Time, Expenditures, Equipment Listing, Revenue Report, Employee Warrant Work Papers, Vendor Payments Summary, Position Control Analysis, Unredeemed Field Warrents, Random Number List. These reports were detailed in the handout.

Reports
Available

The Authorization Report lists all authorizations for a particular agency, department of program; the things they have authorization to spend money for, including RP's. The Revised Programs have a specific code.

The most important program is the information retrieval program which allows selective access. The options available were explained and how they were obtained.

Info.
Retrieval
System

Any level of information can be selected from the 8-digit code, down to the lowest the agency has set up on their chart of accounts. Mr. Peska gave the example of the purchase of new equipment in the Fish and Game Enforcement Division. Any portion of the information can be obtained for any time period after July 1, 1972.

Ms. Buchholdt asked how much it would cost to public a yearly vender list; Mr. Walker said something less then \$200.00. She expressed interest in knowing about the consulting services of various governmental agencies, giving as examples the number of consultants used by the Attorney General's Office; or the number of architects used.

(Mr. Haugen entered the meeting).

Mr. Malone was told they could find out how much Division of Buildings spent on architects and consultants for any given period of time. The only problem might be that no number would be set up if only one payment had been made; it would show on the description field.

Mr. Haugen asked if Mr. Peska recalled the audit on the Department of Education and that they were cited time after time about the re-incumbering of funds; Mr. Peska replied that it was common practice if one was in trouble, to shift payments to the next year. Mr. Haugen felt strongly that there should be a system whereby it is known at the end of the fiscal year what was under or over appropriated. Mr. Peska stated it was not unusual for an agency to have money left over and think of a good idea to use it for.

Mr. Haugen told the Committee that his son had worked for Fish and Game as a temporary and had spent time riding an airplane to use up the money so they could ask for that much and more for the next year.

Financial
Audit
System

Mr. Peska noted that there were restraints on what could be encumbered and it has to be encumbered before June 30. But if an agency places an order on June 27 and requires a delivery date of June 30, nothing can be done about it. Mr. Haugen suggested the year end expenditures could be kept track of if there was a way to summarize monthly expenditures to see the trend. If the pattern established was exceeded toward year-end, it could be denied. Mr. Haugen stated emphatically, that he would never be convinced that no one could let him know why they cannot have the information out two or three days after the end of the month; private business does it. The agencies say they have not enough people to do the job, but he feels they are not "tending the store", and something is wrong when the close-of-business of June 30, cannot be obtained until December.

Encumber-
ing Funds

Mr. Walker informed the Committee that three sources were available on personnel information: (1) the payroll master file which is the record of everybody employed in the State with complete information; (2) Warrants, the history by colocation code of what has been paid in overtime, regular time and pay differential; (3) the Vacancy master file which is a record of authorized position by area, range, and location.

Personnel
Info.

The Chairman asked how many total positions are authorized in the fiscal year to date, and how many people are working for the State of Alaska; Mr. Walker said he could tell them, to which the Chairman remarked that the Director of Administration and the Director of Budget and Management did not know. Mr. Haugen stated that in his experience of the last five years, this Finance Committee has the finest staff in the whole State government behind them; he cannot understand why it is not possible to get the exact cash position of each department each month; he suggested giving them five days. This information should be available to the Finance Committee to check for discrepancies. He suggested going so far as to say that it is authorized through the staff that Audit step in and make an audit at that time.

Mr. Malone said one reason he asked Mr. Peska over was because there are programs set up to extract information that no one else can get. Then if some one does not know how many people they have in a category, and cannot tell us, the Committee can get the information.

Mr. Naughton used the example of SOS's excuses for not knowing who they had hired yesterday; He found out that as of September 26, 1974, SOS had 767 PCN of which 425 were filled, 322 were vacant. They had 461 terminations since July 1, and had hired 348 by that time. By March 10, 1975 there were 786 PCN with 589 filled, 197 vacant. Since July 1, 894 had been hired and 843 had terminated.

SOS
Personnel

Mr. Hogan noted that when this kind of ability to examine records is available, it makes one wonder how administrators are administer-

ing; "how do those people feel they can function without knowing these kinds of things." Mr. Naughton commented that the Data Processing bank is oriented at the clerk who has to make the entries, it is not oriented toward management. Programs are not written to make the system a management tool. Mr. Malone noted that the Budget and Audit Chairman was becoming a computer expert.

Mr. Hogan said the Department of Administration, in its internal audit, would be an obvious location to develop these types of information for the Commissioner of Administration, but none had ever come out of that Department. The Chairman said the people from Data Processing, when they were questioned, reported that they either could not give the information, or could not get it; they needed a new computer.

Mr. Haugen added further comments about the amount of appropriations this year, and suggested cutting the budget and letting the agencies "make it fly". He further stated that "some people were being paid \$45-50,000 just to make a mess, and the Finance Committee sits and lets them do it." The Chairman added that people are afraid to do things when they don't know what the effects will be.

Mr. Walker and Mr. Peska were thanked for their presentation.

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

RECESS

HOUSE FINANCE COMMITTEE
Tuesday, March 18, 1975
3:50 p.m.

All members of the Committee were present except Mr. Naughton. Also attending were Ms. Dorothy Benson, Executive Director of the Violent Crimes Board; Bob Schroeder, Administrator of the Department of Law; Bob Grogan, Fiscal Analyst, and Jim Rhode, Administrative Assistant to the Chairman.

PRESENT

The meeting was called to order to consider House Bill 114, "An Act relating to the Violent Crimes Compensation Board." Mr. Gruening, the sponsor of the Bill, said the Act passed, was a recognition that government was not able to perform its duty and prevent violent crimes to society; that often the victim of a crime was forgotten. This bill did not fully compensate the victim, but was an interim measure to help put the person on his feet, to recognize that society does care and will extend a helping hand when a person or family has suffered. The Board has been active about 1 1/2 years and during that time deficiencies have become apparent. The original bill raised the limit of compensation from \$10,000 to \$25,000 and amended the collateral sources rule. The Judiciary Committee Substitute was to remove the prohibition of the collateral source so that a person could receive, in addition to the collateral source, the \$10,000 if needed. There was the provision that the Board need not hold a hearing if there was no question on the case, to expedite the business of the Board.

HB 114

Ms. Benson was introduced and gave the Committee a brief background of the Board, which was established in 1972 through the Department of Health and Social Services. She described the types of payments they made, for what losses due to violent crimes. Since last month, there have been 115 applications; 14 were withdrawn; 23 denied; 27 awarded for \$83,000. About 12 more this last month.

Responding to Mr. Duncan's question, the Chairman asked for a brief summary of the fiscal impact of the Judiciary Committee Substitute. Ms. Benson said the greatest impact would be in the provision for payment to multiple dependents where it goes to \$20,000; this is at the rate of \$2,500 per child up to four. It would still depend on the financial need of a family. Prior to this time it was \$10,000 regardless of the size of the family and the Board thought this penalized the larger families. This was the largest factor, but she did not think it would be that great, because so many of the claims are ineligible. The other impact is where expenses can still be paid for over other collateral sources. Most people have insurance, but there is always that part that they must pay themselves, or loss of earnings. Most incidents occur outside of work and Workman's Comp will not cover.

Mr. Gruening pointed out there was an amendment in both the Bill and the Committee Substitute relating to people covered by the Act. It is intended to cover a member of the family who is killed who is a wage earner. Prior to the amendment there was no coverage

for that--this is for funeral expenses etc. The Judiciary Committee complained that the Finance Committee gets too much into the law. They were involved in an extended debate on the financial aspects, and he doesn't think that \$10,000 would really compensate. He would just as soon the amendment relating to attorneys be dropped out, that it is not necessary to encourage legal representation. He did feel that Judiciary would lower the total amount and it would not be realistic in terms of the death of the victim. This is dealt with on page three of the Committee Substitute and page 4 of the original bill. The main thing they did was to cut down the total amount.

In going over the development of the fiscal note, Ms. Benson said there had been no ceiling for dependents, it had been \$25,000 plus \$5,000 for each dependent. Based on 1974 claims paid, that amount could have been \$116,000 on one claim alone. She said the increase of maximum award is low in today's inflationary times especially in the death or severely injured person who cannot return to work.

Mr. Duncan asked if the board considered whether there was life insurance or not in a claim of a deceased person. He thought the original proposal made more sense than the amended one.

Mr. Gruening explained to Ms. Buchholdt that under his Bill, the attorney's fee was 15% of the total recovery which was in addition to the award; in the Committee Substitute it is taken out of the total award. There had not been very many attorneys involved in the cases so far. Ms. Benson added that several people had been eligible for Alaska Legal Service.

Mr. Gruening concurred with Ms. Benson's observation that under the original bill with no limitation on the amount to dependents, it did put an unknown into the fiscal note.

There was discussion of a Committee Substitute to reflect the maximum awarding of \$25,000 and awarding of \$2,500 per dependent to \$10,000; a total award that would not exceed \$35,000.

Mr. Gruening moved that the amendments reflecting the above be adopted as a Finance Committee Substitute for HB 114. There was no objection and it was so ordered.

MOTION
Motion
Carried

Ms. Benson was requested to prepare a revised fiscal note.

Mr. Gruening moved that Finance Committee Substitute for House Bill 114 be reported out of Committee; there was no objection and it was so ordered.

MOTION
Motion
Carried

Next for consideration was House Bill 81, making a supplemental appropriation to the Department of Law for \$120,300.

HB 81

A copy of a memorandum from Robert F. Schroeder regarding this supplemental, dated January 29, 1975 was handed out to members. Mr. Malone noted that the magnitude of the bill was growing as it stayed in Committee. Examination of the cash position of the Department of Law determined they cannot pay for it out of their appropriation. Mr. Gruening said he was impressed with the importance of the case and didn't want to withhold any money to

properly prosecute it.

There was brief discussion on expenses concerning the desk and chair; the temporary secretary; rental of xerox machine which could be on location; and it was determined these didn't seem unreasonable.

HB 81

The travel of two attorneys to take eighty depositions caused a number of questions from Committee members. It was found that three trips outside the U. S. were scheduled, but had not been included in the letter. This was a big factor; the rest of the information was a planned itinerary which they had costed out. Mr. Gruening said 80 weeks of travel would mean about 1 1/2 years to take depositions. He suggested hiring a resident attorney in the areas necessary.

Mr. Shroeder said this money would automatically go into a special account. Each month the Division of Finance puts out a computer printout which shows all expenditures against any account, and would show a running total.

Due to concern over the \$40,000 figure for two attorneys to take eighty depositions, Mr. Condon was sent for.

The meeting was recessed at 4:55 p.m.

RECESS

AFTER RECESS
5:02 p.m.

Mr. Wilson L. Condon, Deputy Attorney General, appeared to answer questions. He reported that their request for \$40,000 for travel money was based on information that they would go to trial with all twelve adverse parties. In that case they would need a lot of depositions outside the state. They had asked for extensive documentary material which would be reproduced in their offices: All tax records relating to about 7-8 years of production at Cook Inlet; all accounting records and purchasing records among others.

He could not answer how the figure was arrived at, not having done the arithmetic; another attorney did the estimate. Since the request for a supplemental was made they had negotiated with all parties and there is a good chance to settle with eight of the companies which would reduce the amount, but not to zero. The time schedule keeps getting moved back; they thought they would have been in the middle of the deposition taking by now.

Cowper said he was sure the Committee wanted them to get money to prosecute the case, but felt \$40,000 for travel unreasonable. He would like to see something better than "I like to have \$40,000." He noted the only explanation that two attorneys needed to take twelve trips to various places would be gone a total of ten months each; he found unreasonable. There should be better justification breakdown than was given.

He said that they had not assumed twelve trips would be made forth to Alaska, but to prevail in the lawsuit, they will need to do an extended amount of travel. They thought it would be probably three-four trips back and forth.

CORRECTION

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

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Mr. Cowper said he was sure the Committee wanted them to get enough money to prosecute the case, but felt \$40,000 for travel to be unreasonable. He would like to see something better than "we would like to have \$40,000." He noted the only explanation was that two attorneys needed to take twelve trips to various cities and would be gone a total of ten months each; he found that a little unreasonable. There should be better justification or a better breakdown than was given.

Mr. Condon answered that they had not assumed twelve trips would be made back and forth to Alaska, but to prevail in the lawsuit, these two men will need to do an extended amount of travel. They had assumed it would be probably three-four trips back and forth.

Mr. Cowper understood there had to be some leeway given, but noted that some people could travel for five or six years for \$40,000. He didn't think it would be too much trouble for someone to back up that travel figure. Mr. Condon agreed that it was possible the figure was unrealistic, but he had not checked it at the time.

HB 81

Mr. Schroeder said a costed itinerary was not in hand; that he would have to get it, and would provide copies to the Committee.

The Chairman determined that the latest amount was a bill from an attorney for \$54,000. He requested a copy of the billing from Ferguson and Burdell saying that with this additional information he thought HB 81 could be handled expeditiously.

Mr. Malone felt the \$107,900 on the Cook Inlet Pricing case should be broken out; they will want an accounting regardless of the justification so that this, or future, Legislatures will not be in a bind for the same or another \$41,000.

The Chairman announced that the general review of the budget was complete except for the University of Alaska. Tomorrow morning at 8:30 a.m., he would discuss, particularly with the Subcommittee Chairmen, how to proceed on the budget itself, including the kinds of things to be looked at, a general idea of what the subcommittee reports should include and a time table.

A meeting between Community & Regional Affairs Committee, House Finance and House Judiciary regarding the Water Resources Revolving Loan Fund was scheduled for 3:00 p.m. March 19.

The meeting was adjourned at 5:20 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
Wednesday, March 19, 1975
1:40 p.m.

All members were present with the exception of Mr. Guy. Also PRESENT present was Representative Larry Davis.

Chairman Malone called the meeting to order. He stated that Rep. Davis was present to testify before the committee in support of COMMITTEE SUBSTITUTE FOR SENATE BILL 265 (appropriation - CSSB264 of COMMITTEE SUBSTITUTE FOR SENATE BILL 265 (appropriation - CSSB265 Nome disaster - emergency generators), and COMMITTEE SUBSTITUTE for SENATE BILL 264 (enabling legislation for CSSB 265); and he invited Mr. Davis to go ahead with his testimony.

Mr. Davis said that this is just part of the bills submitted for the complete disaster needs, totalling \$1 1/2 million. The reason for CSSB 265 is that Nome does not have the money to get the generator they are committed to buy. Their power supply is critical because of the flood damage. If they don't get this engine, they will be without power probably for the next two years. Now they have only three of their six generators functioning. Three were lost due to the flood damage. They have one more generator which is on the verge of going out on them which would leave them with only two. This would give them no back-up power. They had the mining company's power supply for backup, but it burned in December.

Mr. Malone asked why the timing of this bill is so important. Mr. Davis said it is because the engine they are committed to and are paying \$25,000 a week just to hold they have just been informed will be sold to the Arabs if they don't come up with the remainder of the money by Friday. Mr. Malone asked the name of the company, but Mr. Davis did not know. He said that he would know within the hour; he was waiting for a phone call.

Mr. Cowper asked how many generators they have, and Mr. Davis repeated that they have 6, but only three are functioning and one of those they feel is on the verge of going out. Mr. Cowper asked if that is the same one that they dropped, and Mr. Davis said yes.

Mr. Davis pointed out that there is an error in the Senate Committee Substitute. On line 24, page 1, the words "Nome School District" should read "Nome Joint Utilities System". Ms. Itta moved that the language be changed to so reflect. Mr. MOTION Malone said that that will mean the bill has to go back to the Senate for concurrence in the amendment. Ms. Itta withdrew WITHDRAWN her amendment.

Mr. Duncan asked if this money is all general fund money. He asked if there aren't federal funds that come into the state in

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order to meet the disaster needs of communities. Mr. Malone said that there are but that this is part of the state's effort. Mr. Duncan asked how much more is going to be involved. Mr. Davis said that the total package is \$1,250,000. Some of this will be going back to the state.

Mr. Duncan moved that CSSB 264 be reported out of committee.
No objection, so ordered. The bill was signed with a unanimous
"do pass".

CSSB 264
MOTION

Ms. Itta moved and asked unanimous consent that CSSB 265 be
reported out of committee. Mr. Cowper asked if this is for the
engine and the generator, transportation and installation. Mr.
Davis said yes. Mr. Cowper asked if anyone has investigated the
possibility of getting it up by airplane. Mr. Davis said that
he thinks Don Lowe is checking into that. There being no objection
the motion carried, all member signing "do pass".

CSSB 265
MOTION

CSSB 265 was reported out with a legislative letter of intent that the monies are to be distributed to the Nome Joint Utilities System rather than to the Nome School District, as the bill states.

There was brief discussion on scheduling, and the meeting adjourned at 2:00 p.m.

ADJOURNED

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HOUSE FINANCE COMMITTEE
Thursday, March 20, 1975
4:08 p.m.

All members were present with the exception of Messrs. Guy and Naughton. Mr. Cowper arrived later. Also attending was Dick Holden, Architectural Planner for the University of Alaska.

PRESENT

The meeting was called to order to discuss House Bill 323, relating to the University of Alaska Anchorage Campus Student Center Revenue Fund.

HB 323

A draft of this proposed Bill was passed out with the explanation that the University in 1974 had been authorized to issue \$6 million of revenue bonds for a campus student center; the bids were opened yesterday and there were none. They decided that if they raised the reserve fund--the amount pledged toward the bond issue--the bonds would go. They want to increase the percentage of student fees going into the bond fund from 25% to 35%. It would not cost the State any money, but does require legislation.

(Mr. Cowper entered the meeting).

With the increased reserves, they will get an "A" rating and expect to be able to sell the bond. They are only raising the percent of dedicated student fees. Mr. Malone said they would need the money in a timely fashion and suggested the Bill be introduced with a Standing Committee Report attached.

Mr. Holden entered the meeting. He described the location of the new student center in relation to other existing buildings. The building had been cut down from 62,000 square feet to 48,000 square feet to fit it into the \$6 million. There are nine sub-contracts bid, but not awarded.

He reported that last Tuesday when they attempted to sell their bond in New York, there had just been a sale by the State of New Jersey. The market is what he termed "soft" and money is hard to get. They have negotiated with potential bidders to see how much can be placed, and have been told the best rating they can get is a "BAA" because the bond coverage is a little thin. To get an "A" rating, Mr. Rafferty suggested: (1) to have the Legislature authorize the increase of dedicated student fees; (2) to cut the building which would have to be by \$1 million to get an "A" rating; (3) to assess a special student fee on the Anchorage campus.

The revenue projections are good to 1978; the coverage in (1) above would be for one year only when it would be necessary to put \$90,000 in the bank to enable an "A" rating. He told Mr. Duncan the 10% asked for is presently going into the University of Alaska's general fund; the State will probably have to reimburse the budget for the one year only. Mr. Wohlforth projected \$90,000 for this one year. Mr. Guthrie confirmed they would be alright until FY 78 when they would need \$90,000 more in the General Fund to cover the funds to make this payment.

Mr. Holden continued, saying they would capitalize the interest for the first two years of the bond, and would not have to make any payments. After FY 78 the revenue reserve would be at a sufficient level to sustain itself.

HB 323

Mr. Guthrie said \$90,000 would be the figure if enrollment projections are conservative, and Mr. Holden added that enrollment projections had been consistently low. He did agree with Mr. Guthrie that the enrollment had been off this year and been close to the projections, as it had been predicted. The drop was mainly Vocational Education.

(Ms. Itta left the meeting).

Mr. Holden confirmed that the extra \$90,000 would increase the reserve fund to 150% of the payout. In FY 78 there is \$574,000 pay out and the total income projections are \$659,000 which does not give the reserve necessary for a "A" bond rating. The purpose of capitalizing the interest is to slowly build up the reserve until the bond is paid off.

In response to Ms. Buchholdt, he said they opened bids last Wednesday on nine subcontracts necessary for the project; they are advertising the General contractor on April 24. They have to decide whether to cut space off the building or not in the next week or two. She supposed the Committee would get his lecture on inflation and so on, if this bill was held up. He agreed.

Mr. Holden described the facility as having several program elements with most functions at a minimum level already. They had already cut two programs out, and to reduce the space they probably would have to cut the food service. The present food service operation cannot handle the existing load. The new food service program would be run by the same people and would handle the additional load.

Mr. Gruening asked how they knew \$90,000 would be needed in FY 78; Mr. Holden said the enrollment projections show 7,500 full time students. He felt only 28-29% was needed during that year but they need the more favorable rating to sell the bond.

Mr. Malone said he would like to introduce this Bill with a committee report attached so it could go directly into the Rules Committee. Mr. Holden would have a fiscal note prepared for tomorrow.

Mr. Duncan asked what the deadline was; Mr. Holden replied it was their view they must begin the construction season as early as possible; they must get the contract by the end of April and the revisions must be made within ten days or two weeks. He said the facility will be a good functioning one, unlike the Fairbanks building at 74,000 square feet which is felt was 40% too big.

After brief discussion it was decided the Bill would be further discussed tomorrow morning when the fiscal note was available.

The meeting was recessed at 4:40 p.m.

AFTER RECESS

4:45 p.m.

All members were present except Ms. Itta, Messrs. Guy and Dunca; Mr. Naughton and Ms. Buchholdt arrived later. Also attending the meeting were: Norman Losk, an Actuary for Marsh & McLennan; and Robert S. Gates, Director of Division of Retirement and Benefits.

PRESENT

The meeting was to hear information on House Bills 22, 36, 83, 84, and 121, all dealing with retirement. Mr. Malone said he did not intend to take action on these bills, but to discuss them and get an idea of the fiscal impact.

HB 22
HB 36
HB 83
HB 84
HB 121

Answering Mr. Haugen, Mr. Gates said the fund was in good shape, and if the same method is followed as in the past, the fund can be considered to be actuarially sound.

Mr. Losk noted there were two funds, both making satisfactory progress: The Public Employees Retirement System (PERS) is well funded at this point with assets in the fund approximately covering all liabilities for benefits earned to date. That is an extremely strong position. In the Teachers' Retirement System, the assets available cover approximately 60% of the liabilities for benefits earned to date. That includes benefits being paid out currently and benefits earned but not paid out. This fund is making good funding progress.

A danger signal is when the ratio reduces from year to year under circumstances comparable from year to year. Whenever legislation is enacted increasing benefits there is an effect on these funds.

(Mr. Malone left the meeting).

At Mr. Gruening's request, Mr. Gates reviewed the relationship of assets to liabilities: Each year they attempt to develop a rate which recognizes all of the current accruing benefits. If there is an unfunded liability portion in addition to the current rate they try to readjust to make up for past deficiencies over the forty years it is amortized. The goal is that sufficient assets will be gathered over a persons work life to transfer into the fund to be paid as benefits when he retires. To provide full funding of employee benefits as they come to retirement the fund would have to cover 100% of the benefits.

(Ms. Buchholdt entered the meeting).

Referring to the Teachers' Retirement System (TRS), no adjustments had been made in the system or the nature of group, but in 15-20 years it would be up to 100%.

Mr. Gates told Mr. Haugen they were investing in common stock, and that their investment manager had been rated among the top 4% last year. Average losses last year were 72% nationwide. They had a difficult year themselves, but minor losses. About 12% of their assets are in common stock.

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At Mr. Cowper's request Mr. Gates outlined the investment of the fund. About 14-15% in common stocks; \$25-30 million in corporate bonds; about \$26-30 million in each fund is in the mortgage area; the remainder is in government securities. There is a different advisor for each fund, though the investment patterns are similar. The Department of Revenue is responsible for the overall operation and manages the fixed income area, which consists of mortgages, bonds, Small Business Administration loans, convertible loans. They look for the best possible investment and something which also will serve a social goal.

HB 22
HB 36
HB 83
HB 84
HB 121

Referring specifically to HB 22, Mr. Gates said this basically would provide certain benefits mainly in health insurance and retirement for permanent part time employees. Present statutes exclude them. The cost of the Bill is mainly in the health insurance area because one-half health insurance coverage cannot be given. An assumption had to be used which was 500 people at \$128.00 per month which would be \$170,000 annually.

HB 22

Sec. 39.35.300 (b). They would prefer retirement credit to be earned pro rata for hours worked, instead of one-half service credit. The only impact is on definition.

(Mr. Naughton entered the meeting).

Mr. Gates said they took 10% of the General Government unit and it seemed most permanent part time people would be in the clerical area. In the court system they get involved in a lot of magistrates and clerical. The bill would be effective January 1, 1976 and would not be retroactive.

The University of Alaska is not included because they are under a different health insurance plan. It would effect them by statute, but they would have to make separate arrangements with their insurance carrier. The assumption can be made that their would be similar cost to them, but they cannot project what they would do.

He told Mr. Gruening that the increase each year is primarily due to assumed increase of medical expenses of roughly 10%. Mr. Gruening noted that there would a lot more then 500 employees by 1981.

Information on House Bill 36 is being developed by Department of Highways. This will expand the definition of people eligible for earlier service. It has opened up some problems because it includes federal service. They didn't have cost figures, but it would be a relatively expensive bill. One hundred eight people who work are currently entitled to some credit.

HB 36

Mr. Duncan was told there was a change that apparently had not been introduced; there is a difficulty because it is hard to know how many people are eligible; there are a lot of people who had this type of service who now work elsewhere or who are retired. It's a big unknown, but probably 300 plus people are involved.

Mr. Gates continued: House Bill 83 provides for mandatory cost-of-living-allowance (COLA) increases to be paid to retired people. This would be based on the Anchorage index. At the current time a post-retirement pension adjustment may be granted up to a limit of 4% assuming there was an increase and if there were funds available. In a very inflationary year surplus earnings are not recognized. This is assuming a 4% COLA increase in the future which is somewhat low looking at the last twenty years.

The cost for the Teachers' Retirement System would be \$5.8 million for the next fiscal year. They support the concept in total., but would suggest there are possibilities of thinking of alternative methods of funding this: (1) The consideration of the employee picking up some of the cost; (2) In both systems there is a provision of 10% COLA benefit to someone who remains in Alaska, but this legislation eliminates that provision; (3) Longer term cost implications because so much legislation goes retroactive because of failure to include people who are already retired. The level of benefits of those already retired, will be raised and there will no longer be the feeling that they should be taken care of. This keeps everybody in line.

This Bill has a fiscal note of 8.06% of the pay. Perhaps consideration should be given to a portion being shifted to the employee.

Mr. Gates said the systems are funded on the basis of amortizing the amount so that by retirement age, the cost is available. Mr. Losk noted that the price tag was large; that this was a means of covering the problem of eroding retirement people income, but it was important that the full cost be recognized, in employee or employer contributions.

(Mr. Malone re-entered the meeting).

Mr. Gates told Mr. Gruening that the 4% figure would be low considering the last several years, but they hoped it would be a realistic long term figure. Actuarial calculations deal with extremely long periods of time. Mr. Losk noted that the price tag did not take into consideration the lowering of the retirement age by five years.

A pessimistic fiscal note would be to figure that every 1% increase would be an increased requirement of 2% contributions. Mr. Gates suggested a review from time to time, and pointed out that the negative inflation figure is not addressed. There would be no decrease in the amount if negative inflation occurred.

Both Mr. Losk and Mr. Gates were opposed to House Bill 84 because it would be only paid for a period of time and the normal benefit restored. They felt it was not a valid option, and would change the whole concept substantially. Mr. Cowper explained that the theory behind this amendment is to allow people who have taught in other states and want to buy into this fund, to NOT pay back any more than they owe. It could be paid off in monthly deductions; periodic deductions or in a lump sum.

Mr. Gates said the people who object are the ones going to live here more than ten years. Mr. Cowper asked if they would feel better if interest were added; Mr. Gates said they were opposed to amending the present law, but if left in its present form the interest might help.

HB 84

House Bill 121 is to provide uniform military service credit in the Teachers' Retirement System, to try and eliminate the present inequities. Under this bill military service credit would be afforded up to five years as long as it was an honorable discharge and the indebtedness was paid. There was no fiscal note, but the only cost would be administrative costs. The two men were in support of this bill; there will be some additional work in establishing those eligible, and some systems modification. He estimated around less than \$10,000.

HB 121

In response to Mr. Haugen's inquiry, Mr. Gates said the final version passed last year made reference to payment on the basis as if they were on leave-without-pay. This Bill was an attempt to correct some inequities. Some fifty additional people may become eligible. The teacher will be paying for all to the same extent as for outside service, the full 7% contribution.

Mr. Malone noted that the argument as he remembered it was that military service interrupts a person's career; Mr. Haugen remarked that other people's careers had been interrupted also.

Mr. Gates said he would supply a fiscal note early in the week and that they could send it back if it was more than \$10,000.

There being no further discussion, the meeting adjourned at 5:50 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE

Friday, March 21, 1975

8:44 a.m.

All members were present except Messrs. Naughton and Guy.
Messers. Haugen and Gruening arrived later.

PRESENT

Also present were Dick Holden, Architectural Planner, University of Alaska; Kathy Jacobson, Department of Natural Resources; Ron Line, Deputy Director, Budget and Management; Representatives Helen Beirne and Ted Smith; Randy Phillips, Staff Assistant for House Minority; Judy Whitney, interested citizen; and staff.

The meeting was called to order to consider further House Bill 323, relating to the University of Alaska Anchorage Campus Student Center Revenue Fund. Mr. Holden was called on to explain the fiscal note of HB 323 to the Committee.

HB 323

He said the maximum debt service of any year is what the bond buyer will look at. He reviewed his testimony of March 20, (see pages 237 and 238 of previous minutes). On the blackboard Mr. Holden made a comparison of the available revenue and the debt service for the years FY 76 through FY 80. In 1978 they will be \$94,200 short; there will be an impact on the FY 78 budget. (See Fiscal Note in the bill file).

Mr. Holden confirmed that if the proposed legislation was passed increasing the reserve they would be able to build the building as it was designed. If it doesn't pass they will have to look at another alternative.

(Messrs. Haugen and Gruening entered the meeting).

Mr. Haugen said he would like to see some attempt as far as raising the student fees. Mr. Holden said the fee would have to be raised now, and future students would enjoy the building.

Mr. Haugen moved to introduce the Bill with the Committee Report attached. There was no objection and it was so ordered. The report was signed "Do Pass" by all members present.

MOTION
Motion
Carried

House Bill 152 was next for consideration; expanding the Chena River Recreation Area. Kathy Jacobson indicated on a map the private property in the area. Mr. Malone asked the relation to any existing or pending land claims act; Mr. Cowper said Rep. Tim Wallis had looked at the map and was satisfied there was no problem.

HB 152

Mr. Haugen moved to report House Bill 152 out of Committee; There was no objection and it was so ordered

MOTION
Motion Carried

The meeting was turned over to Vice-Chairwoman Ms. Buchholdt.

House Bill 10, relating to the compensation of election officers was considered. Ms. Buchholdt pointed out the only amendment was to increase the pay of the election officers; the chairman, absentee canvas and state canvas board members \$5.00

HB 10

per hour and all others \$4.50 per hour; presently they receive \$3.50 per hour.

HB 10

Jim Rhode, Administrative Assistant to Mr. Malone, explained the fiscal note, which covered two bills, HB 10 and HB 10 as amended. The amendment was suggested by the Division of Elections, and would provide \$5.00 for chairmen and \$4.50 for the others. The fiscal note shows the increased costs over \$3.50, with a total of \$304,000--only the increased cost is shown on the fiscal note. FY 77 is the first year in which there is a general election.

Mr. Hogan said the computations were made using the information on the March 11 fiscal note. They priced all officers at \$3.50 per hour; at \$5.00 per hour; and at \$5.00 for chairmen and \$4.50 for the others. The additional cost to pay everyone \$5.00 per hour for two elections would be \$98,984. The additional cost at \$5.00 and \$4.50 would be \$73,200.

Ms. Itta moved that a Committee Substitute for House Bill 10 be adopted reflecting the \$5.00 for chairmen and \$4.50 for others for a total cost of \$73,200 for two elections; there was no objection and it was so ordered.

MOTION

Motion
Carried

Mr. Cowper moved that the Committee Substitute for House Bill 10 be reported out of Committee; there was no objection and it was so ordered. All members present recommended it "Do Pass."

MOTION

Motion
Carried

(Rep. Ted Smith entered the meeting).

House Bill 164, relating to consideration of vetoed bills during special sessions. Mr. Rhode said he was not sure why this Bill was referred to the Finance Committee because the extra time needed during special sessions was hard to determine. It would depend on how many bills had been vetoed during the regular session and how long the discussion lasted. The matter before the Committee is a matter of policy. This would revise the statutes so vetoes could be overridden during special session.

HB 164

It was found the required travel no matter what, was around \$15,000; per diem is \$2,100 per day.

Mr. Cowper moved that House Bill 164 be reported out of Committee.

MOTION

There were questions by several members of the Committee, and the Bill was put aside while the sponsors were located to answer any further questions.

House Bill 68, creating the Alaska Youth Hostel System was the next item for discussion. Rep. Helen Beirne being the prime sponsor made introductory remarks. She reported the intent of HB 68 was to establish a group of youth hostels to coincide with recreation areas and furnish low cost housing for individuals and families traveling throughout the State.

HB 68

Ms. Beirne outlined for the Committee, the amendments made by the House Resources Committee.

In Sec. 41.20.510 (1) "after consultation with local and community organizations and after maximum utilization of existing local effort" was added before "plan and develop a statewide system of youth hostel facilities." She explained there were already some existing facilities and more expected to be developed community-wise. The intent is not to create a State bureaucracy but to set up guidelines. Before plans are drawn up they will contact the communities, since these should be community activities. HB 68

Sec. 41.20.510 (4) at the end of the sentence add "and follow, where appropriate, the specific guidelines established by the American Youth Hostel Association and the International Youth Hostel Association." She said the Hostels will furnish the beds, blankets and matress, people will furnish their own sheets.

Sec. 41.20.520, after arctic, southcentral, interior, southwestern, and southeastern. "Hostel facilities shall be located, when possible, within major population areas within those regions." Then the last sentence, "Other hostels may be established within the five regions as funding permits. This insertion was to insure attention given to all parts of the state.

Referring to Sec. 41.20.530, reasonable daily fees. All money would be deposited in the general fund of the state. There is the question of private hostels also depositing money to the general fund, and Ms. Beirne suggested the following amendment: "After the word "state", add "except where other fiscal arrangements are made when contracting for the services required under section 560 of this chapter." Private hostels would still be under the supervision of the Division of Parks and Recreation, but would have the money to run their operation.

She said she assumed the Committee would meet with them. The state would be putting out a youth hostel booklet listing rules, fees, facilities available, and location within the state.

Sec. 41.25.550; Resources changed line 20 from three persons to four persons, to include the director of Parks and Recreation or his designee as a member of the committee. Members are appointed for a four year term and serve without compensation. A subsection (e) was added to exempt advisory committee members from the financial disclosure requirements of AS 39.50. They will have to report to the Legislature each year.

Ms. Beirne said the fiscal note is very adequate; the program is primarily for coordination and stimulation the creating of youth hostels. Quite a bit of money can be utilized for the building of these. She mentioned the aspect of coordinating NYC people in the construction projects, and the employment of the disabled persons could be used for the running of the hostels.

The areas in which these can exist are varied; they could be in school buildings during the summer, churches, or log cabins; the road house system could be developed--this is the old route where horses and sleds used to travel. The marine highway could be the most unique one in the world; the scandinavian countries used old vessels. The pennsylvania Dutch area used old barns. She also

Mr. Cowper asked about the problem of pipeline workers; Ms. Beirne replied that the hostels are not intended as domiciles for migrant workers; usually the stay will be limited to three days, and any regulations set up would have to address this problem.

To Ms. Itta's question of the age group; Ms. Bierne said it was generally considered up to twentyfive, but in Europe there were families traveling; facilities were separated but age was not limited. The terms "youth" and "adult" might have to be defined. Mr. Gruening did not think there should be an age limit.

Ms. Bierne mentioned that the American Youth Hostel Assn., has a card that can be purchased for a minimal fee. This would have to be in the regulations, but might be a source of extra money. In foreign countries a card is very good to have.

Letters from other states were pointed out; very few states have done anything under legislation, but were extremely interested. Some have youth hostels but not necessarily under Parks and Recreation.

Mr. Rhode pointed out two fiscal notes, one with cost estimates considerably higher than the other. The second fiscal note relies on a good deal of help from nonprofit groups.

As to any idea of revenue; Ms. Bierne told Mr. Gruening that most of the hostels will be private groups. There might be a small amount for a seed grant, perhaps \$200 for beds or something, but she did not see any income coming back to the state, thought the authority was there. The reason for showing a fiscal note was because the individual is needed to coordinate and stimulate development. To inspire the communities to do this; it is not a matter of capital improvement for the state. There might be seed grants for small improvements or to get started. Mr. Rhode noted the money in the fiscal note was primarily for equipping the hostels, but could be for renovation or repairs.

There was discussion on the correct wording of the proposed amendment. Mr. Gruening moved to adopt the amendment to line 13, page 2 of House Bill 68, after the word "state" add, "except where other fiscal arrangements are made when contracting for the services required under section 560 of this chapter." There was no objection to the adoption of the amendment and it was so ordered. Motion Carried

There was no further discussion and the meeting was recessed at 10:00 a.m.

RECESS

AFTER RECESS
11:25 a.m.

All members were present with the exception of Messrs. Malone, Guy, Naughton and Haugen. Also present was Representative Urion, and later in the meeting, Representative Beirne. PRESENT

In the absence of Mr. Malone, Ms. Buccholdt assumed the Chair and HB 68 called the meeting to order. The committee continued its discussion of HOUSE BILL 68 (Creating Alaska Youth Hostel System), having before them at this time the proposed committee substitute which had just been drafted at committee direction. There were still amendments which members of the committee wished to make, however.

Ms. Itta referred to Sec. 41.20.530 of the proposed substitute, "Hostel Use Fee" and indicated that she thought it was perhaps in the wrong place. Mr. Gruening said that he thought it should come under Sec. 510. Dr. Beirne, who had entered the meeting shortly after it began, said that she agreed that this would be better under Sec. 510 (which is the Duties section). In response to questioning, Dr. Beirne said that she felt that if hostels were operated by the department, the fees should come back to the general fund. However, the intent is that they not be operated by the department. Mr. Gruening moved to amend the committee substitute by deleting Sec. 41.20.530 altogether. MOTION Mr. Duncan noted that this means that the Division of Parks does not establish a fee nor does it receive the money. Dr. Beirne said that in the regulations they could establish a variance of fees if people choose to associate with the Alaska Youth Hostel System. Then they would have the capability of going in and assisting them in setting up their facilities. An earlier hostel bill stated that no facility could be called a youth hostel unless it affiliated with the international organization or American youth hostile system. That bill was vetoed by Governor Miller. She suggested that perhaps there could be language that in order to be called an Alaskan youth hostel, the facility would have to follow criteria under Parks and Recreation. Question called on the motion, and without objection, motion carried. [NOTE: action rescinded later in the meeting]

Question was raised under the Duties section, about whether the division, at the request of a non-profit corporation, could be obliged to acquire land suitable for facilities. Ms. Buchholdt said that she was concerned whether the state would have to provide land and facilities for non-profit corporations. Dr. Beirne said that the intent was not for the state to do purchase or construction but that they provide technical advice and coordinating, and

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maybe seed money. Mr. Gruening referred to the fiscal note. It gives cost of bedding and supplies at an amount per unit. He asked Dr. Beirne how she envisions that being disbursed -- directly to the private organizations? Dr. Beirne said that she thinks that they could establish that amount for assistance. She then said that she had another thought about the hostel use fees. She thought that perhaps the first sentence of the existing (or just deleted) Sec. 530 could be retained but thne there could be language like what is at the bottom of the fiscal note, to the effect that the income from the use fee would go directly to the participating organization to provide the necessary operating capital.

Mr. Duncan said that with that amendment they would be allowing the division to establish the fees but they would not be concerned with construction of centers. Dr. Beirne said that they would be concerned with criteria -- sanitary conditions, amount of room, etcetera.

On page one, Sec. 510 (2), Mr. Duncan said that he is having difficult deterring the real duties of the division. Dr. Beirne suggested that the idea of providing could be removed from that section. In (3) there was discussion about changing the language so that it did not sound as if the division would be bound to acquire land. In Sec. 520 (Hostel Location) the language in the proposed substitute appears to require that five facilities be located in the state. Ms. Buchholdt felt that the language needed changing there. Dr. Beirne recommended wording to the effect that the division would "stimulate the development of at least one youth hostel in each of the five following major regions of the state:..." rather than saying "prove for at least one...."

Ms. Buchholdt was still concerned about (3) under Sec. 510, feeling that perhaps the division could be required to purchase land for the construction of youth hostel facilities. Dr. Beirne suggested language referring to promotion of the acquisition, by gift or otherwise, of land suitable for construction of youth hostel facilities. In response to questioning, Mr. Gruening commented that they can't give away state land but they could allow use by special lease.

Mr. Duncan expressed concern that if the language is left as is, the division could come in next year with a request for purchase of land. The committee discussed ideas about land and construction... use of the Youth Corps to build something, use of park cabins...

Question was raised about individuals operating facilities, and whether or not individuals would be excluded by the language in all the sections which refer to organizations.

There was considerable discussion on proposed amendments. After discussion, Mr. Duncan moved the following amendments:

MOTION

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(These page and line references refer to the earlier proposed committee substitute which was not adopted - copy in master bill file)

On page 1, line 16, delete the words "provide for" and insert in their place "promote the"

On page 1, line 17, delete the semicolon following facilities and insert "by operating organizations;"

On page 1, line 21, delete the words "acquire, by purchase, gift or otherwise," and insert in their place "promote the acquisition of"

On page 2, line 4, delete the words "provide for" and insert in their place "promote the establishment of"

On page 2, lines 13 and 14, delete the words "deposited in the general fund of the state, except where other fiscal arrangements are made when contracting for the services required under this section" and insert in their place "used by the operating persons or organizations to provide the necessary working capital"

There being no objection to the amendments, they were adopted. It was understood by adoption of the amendment under Sec. 530 that the earlier action deleting that section was rescinded.

Ms. Buchholdt raised the question about the use of "persons" or "individuals" everywhere the word "organizations" is used so that it is understood that individuals are not to be excluded. There was a motion to include: in Sec. 510 (1) following "organiza- MOTION
tions", the words "and/or individuals"; in (2) as amended,
following the word "operating", the words "individuals or"; on
page 2, Sec. 530, change "operating persons" to "operating
individuals" in order to be consistent with the other amendments.

There being no objection, the amendments were adopted.

Staff was directed to draw up another committee substitute for later examination by the committee. (Amendments were incorporated in a committee substitute and further amendments were later added to that committee substitute which was then reported out of committee, to be later recalled to the committee for still further study.)

Meeting recessed at 12:07 p.m.

RECESS

3/21/75

HOUSE FINANCE COMMITTEES
Saturday, March 22, 1975
9:00 a.m.

All members were present except Ms. Buchholdt and Mr. Guy. Also attending the meeting were Kent Dawson, Director, and Wayne Weeks, Budget Analyst from Budget and Management; Rep. Richard Urion; Jay Hogan, Director of Legislative Finance; and Jim Rhode, Assistant to Mr. Malone.

PRESENT

The meeting was called to order to further consider House Bill 164, "relating to consideration of vetoes bills during special sessions." Mr. Malone noted that this Bill would allow a five-day session to be called to deal with veto messages. The Bill was held in Committee because they didn't like to limit sessions. Mr. Urion felt there would be hesitation to call a regular special session for thirty days.

HB 164

Referring to the first paragraph of HB 164, the Chairman asked about any conflict with the Constitution; Mr. Urion said HJR 11 would take care of the Constitution; there would be a conflict but not greater than today. There are still two schools of thought; HJR 11 would bring the constitution in line with it.

HJR 11

Mr. Urion said there had been no discussion in the State Affairs Committee regarding the first paragraph. If it was put on the books the administration could still say "no deal", no veto messages during special session; without passage of HJR 11 there would still be a mixture of thoughts.

The second paragraph adds language to provide for the special session. John Elliot did the draft of the bill himself. During the last two special sessions, Mr. Elliot had given his opinion that the Legislature could take up veto messages, but the administration said no. At this time HJR 11 has passed out of State Affairs Committee and is in Judiciary.

In response to Ms. Itta's question, Mr. Urion said only four or five bills were vetoed during the last session. To Mr. Naughton's request for a summary of that legislation; Mr. Hogan said vetoed bills do not appear, but are dropped out.

Mr. Hogan added, at one time there was a rule by the Legislative Council that a veto message could not be entertained if the bill was passed by a prior Legislature. It depends on whether the Legislature is considered a continuing body or a segmented one. Mr. Urion said a special session should be called at the end of the second session if there are bills one feels strongly about. Mr. Hogan told Mr. Haugen, that right now a Legislature coming in after an election has no jurisdiction over prior legislation.

Mr. Haugen moved to report House Bill 164 out of Committee.

MOTION

The Chairman asked if the Committee wished to consider the substance of HB 165 at the same time. Mr. Naughton stated he was opposed to having a five-day limit even for veto messages, that

this is taking the wrong direction. He suggested adding the last line of HB 165 to HB 164. He "abhors the idea of the Legislature placing a limit on itself." Mr. Urion explained that he felt the Legislature would hesitate to call a special session if it were for thirty days. Mr. Urion told Mr. Duncan the State Affairs Committee had felt similarly to limiting any session and had indicated they would like it amended on the floor. Mr. Duncan agreed with that idea. Mr. Urion explained the reasoning behind the last sentence of HB 165 to be that a special session could be held in any area of the state.

HB 164

There was no objection to reporting House Bill 164 out of Committee, and it was so ordered, with all members recommending it "Do Pass."

Motion
Carried

Consideration of House Bill 68, creating an Alaska Youth Hostel System was the next item. (Also see pages 244-249 of minutes).

HB 68

Mr. Gruening moved to omit the word "and" on line 15. After a brief discussion the motion was adopted without objection.

MOTION
Carried

Mr. Duncan moved to strike the words "local and" on line 13, of the Committee Substitute for House Bill No. 68. After brief discussion;

MOTION

Mr. Duncan made a subsidiary motion to have line 13 read: "after consultation with community organizations or individuals, plan and develop a statewide system of youth hostel facilities." There was no objection and it was so ordered.

MOTION
Motion
Carried

Mr. Gruening moved to delete lines 18 and 19, page 1 of the Resources Committee Substitute; there was no objection and it was so ordered. The reason for this amendment was given as Rep. Beirne wanted to assure that private organizations could be contracted with to perform youth hostel services.

MOTION
Motion
Carried

There was a question of whether the word "youth" was limiting or not. Mr. Gruening said it was just a name that had been carried through and under most rules people under a certain age are not limited. The intent is not to limit to any one under a certain age.

Mr. Gruening moved to report out of Committee, a Finance Committee Substitute for House Bill 68. There was no objection to the motion and it was so ordered. All members recommended it "Do Pass", except Mr. Haugen who had no recommendation.

MOTION
Motion
Carried

House Bill 25, establishing the Alaska Fire Fighter Training Center Commission was next taken under consideration. Mr. Duncan, the prime sponsor reported that the State Affairs Committee Substitute should be the one considered by this Committee as testimony would be directed toward it.

HB 25

Present at this time were: Bill Hagevig, Supervisor of Fire Service Training, Department of Education; C. D. Tandy, Jr., Captain of the Juneau Fire Dept.; Alan Judson, Alaska State Firefighters Association, Legislative Committee Chairman, and members of the Committee as noted earlier.

PRESENT

The Alaska Fire Fighter Training Center Commission will consist of seven members, with restrictions listed in the Bill, who will have four duties: (1) to recommend sites for location of four training centers; (2) determine if the centers can be constructed in conjunction with other training facilities; (3) recommend a common physical design for the centers; (4) formulate cost estimates for implementing its recommendations. These members will receive only per diem and travel. The Chairman noted that the fiscal note dated March 14, was addressed to the committee substitute.

Mr. Alan Judson was invited to testify: He said due to the number and location of fire fighters, there is a massive cost of transportation to get people around. With training centers in the four areas, would make a great stride toward reducing costs. They are not opposed to multi-use training centers, for example, using the State Troopers' Academy in Sitka. A basic design for these buildings is being developed since certain things have to be in common. The Commission would have to be very active because of the time element, and they hope to get started immediately if the Bill moves through the Legislature.

There may be one meeting in FY 75, all other costs will be in FY 76.

In response to Ms. Itta, Mr. Judson said there were no training centers now; local fire departments may have their own, but there are none statewide. This Bill would create the centers. The BLM, Forest Service, and other federal agencies have expressed interest in sending some of their people to these centers and could share some of the costs.

Mr. Gruening called attention to page 93 of the Department of Education operating budget. There was \$65,000 requested for FY 76 that appeared to be for the same purpose. He suggested the money might be taken out of Education and given to the Commission.

Mr. Hagevig said the two programs were not parallel. The BLM and Forest Service have their own program; they provide instructors on contract who travel from community to community. They have no place to conduct their training. Training in the rest of the U. S. is being done on a national level, and in order to be part of the national service they need training facilities. One or two departments may have a small drill tower; there is a school in April in Anchorage and Fairbanks. The Commission would establish the feasibility of the unique type of training facilities that fire fighters need and incorporate into existing facilities where possible. Without some sort of centers they cannot train enough fire fighters to accomplish anything.

Mr. Gruening noted that under the request for \$60,000 for contractual services, the Governor gave \$25,000; the other \$31,500 was for a coordinator's position for the Anchorage area. Operating the program throughout Alaska means a need for extensive

travel. This position would would have eliminated some of the travel and made for better communication.

HB 25

Mr. Haugen asked if there would be something in a bond issue and capital improvement to fund training centers; He was told the Commission would make that decision. They hope to have four or five locations with future budgets. Mr. Haugen suggested the Wrangell Institute might work. Mr. Hagevig added that the Kuskokwim Community College in Bethel could form the nucleus of a training center, though he didn't have any idea of what the cost might be. Mr. Hagevig believed the Anchorage area center requested full state funding and thought they had asked for \$1.3 million, but that it was a very sophisticated center. He said all centers would require dormitories and feeding facilities; a two week session for the training of basic skills couldn't be run without that.

(Mr. Haugen left the meeting).

Mr. Gruening understood that the Commission would essentially study what the Legislature should do two years from now. Mr. Hagevig told him that one of the three positions requested in Education is a clerk typist, because the other two are taken up with current activities.

(Messrs. Malone and Cowper left the meeting; Mr. Naughton assumed the Chair).

It was asked if some of the Department of Education budget would be transferred into the budgets of any fire training centers are begun, or would it take additional money. Mr. Hagevig said it would depend on how the center was structures. For example the Anchorage Fire Center operated as a multiple use facility. He emphasized that the Department of Education was not in the operation program; they would rather contract for services then to do it themselves.

There was no action taken on House Bill 25 at this time because of the lack of a quorum.

The meeting was recessed at 10:25 a.m.

RECESS

AFTER RECESS
11:00 a.m.

Present at this time were Representatives Naughton, Itta, Duncan, Gruening, and Haugen; also present was Commissioner of Administration Andy Warwick; Administrative Assistant Kellus Sewell; Marian L. Hellen, Administrative Officer for Office of the Governor; and staff. PRESENT

In the absence of the Chairman and Vice-chairwoman, Mr. Naughton assumed the chair and called the meeting back to order.

HOUSE BILL 25 (Fire Fighters, training centers) was before the committee. Ms. Itta moved that the State Affairs Committee Substitute for House Bill 25 be reported out of committee. No objection, so ordered. All members voted "do pass" on the committee substitute. MOTION

SPONSOR SUBSTITUTE FOR

HOUSE BILL 184 (Special Appropriation to the Office of the Governor, SSB184 Human Rights Commission) was brought before the committee for discussion. Ms. Hellen was present to testify on the bill. She explained that HB 184 is a bill by the Finance Committee which now has a sponsor substitute. As originally intended the fiscal note provided for six new investigators plus staff for activities relative to minority and resident hire. The original bill provided for an effective date of July 1, 1975; the sponsor substitute provides for an immediate effective date. There was a preliminary supplemental in HOUSE BILL 250 for the Human Rights Commission. This was to replace HB250 \$21,000 in federal funds that were used against a federal grant in a prior year and \$40,000 for a projected deficit and travel expenses in the current fiscal year. This has been taken from that supplemental and put in the sponsor substitute for 184. Mr. Naughton noted that the number of investigators has also been reduced to four. Ms. Hellen said that that is correct. A new fiscal note for the sponsor substitute has been requested. She said that the word from the Human Rights Commission is that to add four investigators without additional clerical support would be overburdensome. They have requested some additional support. Mr. Duncan asked if the \$61,000 could then be deleted from HB 184 and Ms. Hellen said yes. Ms. Itta asked if this \$61,000 is with the \$148,000, and Ms. Hellen said yes. The funding is changed for three months instead of a full year.

In response to questioning by Ms. Itta, Mr. Naughton explained that the Human Rights Commission is involved with enforcing resident minority hire. The "squabble" between them and Labor and the Pipeline Coordinator was about who was going to take care of this. The legislature decided that if the Human Rights Commission needed money to do this that that is where money should go and so the committee put in this bill to fund the Human Rights Commission to do this. The original thinking was not exactly what was needed. The Human Rights Commission director, through coordination with Budget and Management,

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came in with a revised figure from \$148,000 to \$121,000 and suggested deleting the \$61,000 that is in HB 250 and incorporating that in the supplemental that would become SSHB184. Thus SSHB184 has \$21,000 for the FY 74. Ms. Itta asked why the word "female" is included in the title of the sponsor substitute when it was not in the original. She explained that it is her understanding that women are included in under the Human Rights Commission as minorities so that the word seems superfluous. She emphasized that she is not objecting to the idea of women be included -- but pointed out that inclusion of the word, if it is already included in actuality, lends a different kind of emphasis to the bill. No one on the committee knew why this was included in the bill and in later questioning of the drafting personnel there appeared to be no reason for the word being added. It seems to have been an arbitrary or accidental addition. In response to Ms. Itta's comment that her understanding of the thrust of the bill was for the native people in Alaska, Mr. Naughton said that it is for resident hire, not specifically minority hire. Actually, he said that the focus of the legislation is toward who is responsible for enforcement.

Mr. Haugen asked about what the budget for this year is. Mr. Barker said that \$198.6 was the budget for FY 75. This would add \$100,000 to the current year's budget. Mr. Gruening asked if \$100,000 is the net increase. Mr. Barker said that \$21,000 of this total is to replace monies expended for this year against a federal grant; it will not increase this year's budget; it will increase the 1974 budget. This error was found during an audit.

Ms. Itta moved that on lines 8 and 15 of SSHB184, the word "female" MOTION be struck. Motion carried.

Ms. Itta referred to the original fiscal note attached to the bill in which figures are given for 1976-1980. Ms. Hellen explained that the original bill had an effective date of July 1. Ms. Itta asked if this would be one-time special funding for this year, and Mr. Naughton said yes. The \$60,000 for four investigators is predicated on an April 1 start up. Ms. Hellen said that she does have a preliminary draft of a revised figure -- \$30,000 for personal services for the remainder of this fiscal year, \$33,000 travel and \$26,000 contractual with the balance to go into commodities and equipment.

Ms. Itta moved that SSHB 184 be replaced with CSSSHB 184, incorporating the amendment, be reported out of committee. There was discussion MOTION on the motion. Mr. Gruening brought up the problem between the Department of Labor and the Human Rights Commission, and the Department of Labor not having done anything in the area of enforcement of resident hire. He asked if the appropriation to the Human Rights Commission could in some way be taken out of the Department of Labor

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budget. Mr. Naughton said that the Department of Labor had an RP approved to put investigators in the Pipeline corridor and they did nothing with it and simply ignored the program and let the money "languish". That was \$108,000. The Pipeline Coordinator's Office was given a subsequent RP for \$148,000 for six investigators to enforce local hire in the corridor. They also did nothing because they got into disagreement about who was going to do it. Meanwhile Pipeline work has continued and there is no enforcement of minority and resident hire. In addition, part of the justification of these agencies for not doing the work is that it is the Human Rights Commission's responsibility. The Human Rights Commission is very eager to get going on this since peak employment time is coming up in June. Mr. Gruening again asked if they will be able to retrieve the money from the other agencies. Mr. Dawson said that if these programs came on by RP it means that it was probably not federal money; it was probably program receipts from Alyeska or federal money. Mr. Naughton said that the money for the Pipeline Coordinator was taking program receipts. The Department of Labor RP was a general fund shift from Pipeline impact services.

SSHB184

[Mr. Malone entered the meeting and Mr. Naughton turned the gavel over to him.]

Committee took up HOUSE BILL 250 (Supplemental - Office of the Governor).

HB 250

The Bethel Office is the first item on the supplemental. This is a \$21,900 figure for this fiscal year. At the request of various legislators the Administration determined that the southwest portion of Alaska was deserving of some kind of representation of the Office of the Governor to make it easier for the Anchorage Special Assistant whose duties have increased due to the Pipeline. This will be a one-person office with part-time clerical support to assist local governments and constituents who may have problems relating to the Governor's Office. This has been provided temporarily to this point by contractual services since the change of administration. The budget indicates approximately \$3400 for travel for the special assistant to make about six field trips. There is a very minimal amount of contractual services. Mr. Malone asked if this representative of the Governor is in Bethel now. Ms. Itta said that she knows he has a representative in Barrow; she wondered why it is just Bethel that is being funded. Ms. Hellen explained that it is because the Bethel office is just being created. This is a supplemental to establish the office. Ms. Itta asked how many offices the Governor has. Ms. Hellen said that this would make 5 -- Nome, Fairbanks, Anchorage, Southeast (in Juneau) and Bethel. In answer to an earlier question, the person is in Bethel now.

The next item in the original bill was Disaster Relief. There was discussion about the Nome Flood and whether money appropriated for

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Disaster Relief will be for use for the Nome Flood or will be to remain in the fund in the event of another disaster. Ms. Hellen thought that the intent was for a future disaster. Mr. Malone read from the memorandum on HB 250 in which it states "An appropriation of \$1,000,000 would allow maximum funding for 2 major disasters or a number of minor items for which State assistance should be made available." Mr. Dawson said that due to the Nome Flood the Disaster Fund has recently been all but depleted, and the feeling is that the Governor should have some money to tap if necessary. There is not a lot of detail behind that. Mr. Malone said that this is, then, intended as a disaster contingency fund. Mr. Gruening asked about a disaster relief tax, and was told that it has been repealed. However, there is legislation now for reenactment of the disaster tax at \$20 per head. In discussing the present situation, Mr. Dawson said that he would find out what is remaining in the fund. Ms. Hellen said that they transferred the balance of the fund to the Department of Military Affairs last month. Mr. Duncan asked how the \$1 million appropriation to the Disaster Relief Fund relates to what the legislature passed for the Nome generators. He wondered if that money would come out of this fund. There was quite a bit of discussion on this. Mr. Dawson said that now the monies for the Nome disaster are not coming out of the Disaster Fund because that fund has been exhausted. Mr. Malone pointed out that if all of the \$1 million is used for the Bering Sea disaster, the state will again be in the position of having no emergency money in the fund. After still more discussion, during which Mr. Hogan was called into the meeting and informed the committee that there is a federal trigger for receiving federal disaster monies, and that is \$400,000 has to be spent by the state, the committee began discussing the idea of only funding enough to trigger the federal monies. One point that was brought up is that if there is a major disaster there will more than likely be a special session called -- in which case what they need in the fund is just enough money to get by until special legislation could be enacted.

[Mr. Cowper entered the meeting.]

The next item is the Public Defender Agency. Justification for this request is that in the early part of this fiscal year, approximately \$66,500 in prior year's charges were processed against the current year's authorization which has put the agency in quite a deficit for 1975. They have also had the problem of short-funding for several years in contractual services which is causing a general shortfall, a majority of which is in contractual services paid to private attorneys and medical and psychiatric evaluations.

Mr. Malone referred to the problem in this agency of the certifying officer and the responsible agency being in different agencies; he asked if this has been solved, and Ms. Hellen said yes, it has. They

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are no longer divided. The administrative assistant to the Public Defender has been given certification authority. Ms. Hellen said that she requested that an audit be performed. It was, and one of the recommendations was to give the agency certifying authority.

The next item is the Human Rights Commission which was discussed earlier. Following that is \$30,000 for Elections. Ms. Hellen said that this is because of the recount. By statute state troopers must be available to watch the recount process. The amount of payroll to state troopers from Elections and amount for the election board and travel involved came to \$30,000. A small portion of this was terminating pay that occurred in the Division of Elections during the changeover of administration. Mr. Malone referred to the memo and in fact that amount was \$19,000 for termination; Ms. Hellen corrected herself. Mr. Malone wanted to know who was terminated and if the terminations were voluntary or not. He asked Mr. Weeks for clarification. Mr. Weeks said that the terminations were for the director and also for four other employees (two at the same range which explains why there are only four rates shown) who left by choice because of their close association with the director, even though they were not required to do so.

The final item in the supplemental is Telecommunications. Ms. Hellen said that the administration would like to review the RCA proposal with regard to statewide telecommunications. This supplemental is to provide a professional contractual position with some travel in order to attend conferences relative to common carrier evaluations.

Mr. Duncan brought up the Highways negotiated reimbursable services with the Governor's Office for \$10,000. He wondered if the total request for this Telecommunications would still hold. Ms. Hellen said that that would be subject to some reduction she would assume by the amount they received from Highways.

Meeting recessed at 12:05 p.m.

RECESS

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AFTER RECESS

1:44 p.m.

Present at this time were Representatives Malone, Gruening, Itta, and Naughton. Also present were Commissioner Warwick of Administration, Kent Dawson, Director of Budget and Management, and staff. PRESENT

Chairman Malone called the meeting back to order. HOUSE BILL HB 252 252 (Supplemental - Department of Administration) was brought before the committee for discussion. HB 252 contains four separate items: Longevity Bonus Program; Alaska Pioneers' Home; Division of Finance; and Archives and Records.

Mr. Naughton asked what the \$420,00 for Longevity Bonus Program is for. Mr. Warwick said that the appropriation for FY 75 for the Longevity Bonus Program was based on an average of 5,000 Alaskans receiving this bonus. However, it appears that they are going to be in excess of this and the most recent estimate is about 5,350 recipients. Naturally they won't know exactly until the end of the fiscal year, but at this point the most likely figure they can give is that they will need an additional \$420,000. If it is less than that, the money will lapse.

Mr. Malone noted that the caseload figures that are shown in the package of information they received from Administration show that the last payment was for about 5300 and it is anticipated that that number will increase even a little more due to people returning from their winter vacations. Mr. Malone asked what they will do if they don't get the supplemental. Mr. Warwick said that it is their intent to pay them the \$100 until there are no other sources. He said that he does not know where there would be another source other than the Governor's Contingency Fund.

Mr. Naughton asked about costs of the program other than the actual payments. Mr. Warwick said that there are some costs involved in administering the program. Administration of the program is under Retirement and Benefits in Administration.

Ms. Itta asked about the increase in recipients from under 5,000 last year to 5350. Mr. Warwick said that they expect their average for this year to be 5,350. Ms. Itta said that she did not know there were so many old people. Mr. Barker said that the past years to date has averaged 5,215. In the prior year, the number of checks for the last three months of the year averaged 5% above the first 9 months, so if that is the case the last months would be higher and the average for the year would be 5,282.

There is a \$239,000 supplemental request for Pioneers' Homes. Mr.

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Warwick said that although the Pioneers' Homes appropriation is in his department, the actual appropriation is in Health and Social Services; and he said that he is not that familiar with the necessity of the supplemental, although he understands that it is because of failure of federal funds to materialize. HB 252

Mr. Dawson explained that basically what it is is that the Feds said some of the expenditures in the Pioneers' Home did not qualify for federal reimbursement. For several years now, the state has been using federal money to subsidize expenses of the Pioneers' Homes. They are hoping now that the Feds will not come in and "nail" the state for the previous years' monies utilized.

[Mr. Cowper entered the meeting.]

In response to questioning by Mr. Malone, Mr. Dawson said that they understand that this is a final decision by Region X. Mr. Warwick said that the problem is now they need to remove Pioneers' Homes from Health and Social Services because of so-called discriminatory methods of determining who can reside in the Homes. Basically, he said that it has to do with a residency problem. They need to remove it from Health and Social Services because that "discrimination" could jeopardize other federal monies going to Health and Social Services. This transfer is intended at the end of this fiscal year.

There is a \$31,300 request for the Division of Finance. Mr. Malone asked about the reasons for this. Mr. Warwick said that he believes that to a large degree the necessity of this supplemental is a result of increased costs such as warrant stock and other pre-printed forms; but also part of it is resulting from Tri-Trades. By the collective bargaining agreement, they have to pay Tri-Trades personnel twice a month now, and that has necessitated additional effort on the part of administration. They are presently doing that with temporaries. Mr. Malone asked where they are on the status of payment by wire. Mr. Warwick said that they do that now on a limited basis. In some cases they mail paychecks directly to banks.

[Mr. Duncan entered the meeting.]

Mr. Warwick continued that a new payroll system would make the twice a month payments (on time because of the penalty provisions) much easier.

Mr. Malone noted that the memorandum says that the shortfall is primarily the result of the collective bargaining agreements and increases in paper costs. Mr. Warwick said that it might be appropriate to mention that they are requesting a \$200,000 addition to this supplemental. There was an original estimate

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of \$400,000 for development of a new payroll system to meet the new needs of the state, in large part because of collective bargaining. Arthur Young and Company are designing the system. They have said that their original estimate was low, and that it will take another \$200,000 and they are not even sure if that will be enough. In explaining the need for a new system, Mr. Warwick said that the collective bargaining system the state presently has placed substantial burden on the Division of Finance and Data Processing. In short, there have been times when they have been almost unable to get the payroll out and it is getting progressively worse. They feel they have to find a way out of that and they feel the way to do that is through a new payroll system. HB 252

Mr. Gruening asked if the proposed payroll system will solve the problem that the Department of Highways is having in getting their paychecks out in a timely fashion. Mr. Warwick said that he did think it would help, because it will give them the capability of getting checks out through a hardware system. Highways is in a unique position because of having Highways stations all over the state. This will give them the capability of transmitting data by terminals. Mr. Gruening asked when this will go into effect, and Mr. Warwick said hopefully by January 1, 1976, but it doesn't look that promising because the problems have gotten more complex. Arthur Young and Company (with whom the state is contracting) has finished their preliminary design concept and they feel the situation is more complex than they initially anticipated. The state has chosen a vendor firm for the computer system, but it will have to be modified. By October or November they should know where things stand. One of the problems with Highways is the penalty for late pay provision. The late pay figure is in excess of \$80 or \$90,000 for this year. The new program will not be fail-safe. They still have to rely on the human factor. Mr. Gruening asked if they can wire checks out under the present system. Mr. Warwick said that this system will not purchase the hardware for doing that. They have requested the hardware in the 1976 budget. As far as wiring the checks, they will do that with the banks. They use that occasionally with checks that are late in order to reduce the inconvenience to the employee. Incidentally, he said that the cost of that service is part of the supplemental. He said that he supposes that it might be appropriate at this time to indicate that he might next year be before the committee asking for more money for this system. They have spent a considerable amount of time on this. The previous administration chose this course of direction and he is following it.

Mr. Naughton referred to the Commissioner's letter of March 21 which lists the attributes of the system. He asked if the program will be written in such a way that the information on the payroll system will be more accessible as a management tool, by which he said that he meant for example when they were discussing the

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appropriation for supervisory employees they wanted to know how many employees were "on deck" and were told that they could not extract that information. Mr. Warwick said that this will give them the capability of extracting that information with less trouble. It will still involve some additional work. He assured the committee, however, that this is not a "bandaid" approach. This is almost a "design from scratch" but they have found vendors who have systems that they think they can adapt to the state's system.

HB 252

Mr. Naughton referred to the second of the objectives in the aforementioned letter -- more flexibility. He asked if this means there will be consideration given to the management end of the use of the system -- a management orientation. Mr. Warwick said that that is true also, but that what he was referring to is that they would like to have more flexibility in being able to negotiate the labor contracts. Right now if they have to come up with retroactive facts, and it is probable that the general government contract will also be retroactive, they will have to go through and make those computations manually, which will require substantial effort on the part of many people. This also will have the flexibility of management type information, however.

Mr. Naughton asked if the firm they are dealing with is in Anchorage, and Mr. Warwick said that it is a national firm with offices in Anchorage. They have just finished phase one of the concept design and they are approaching phase two which will be implementing the conceptual design.

Mr. Duncan asked if there is already money in the FY 75 budget providing for this study. Mr. Warwick said that there is \$400,000. Mr. Duncan asked if work is at a halt now. Mr. Warwick said no, they have only expended \$150,000 of that, but it has become apparent that \$400,000 is not going to get them through. They could have asked for the change in the FY 76 budget, or waited until next year at this time and come in with a supplemental; but the problem is that most of the money is going to be expended next fall and then they would have to wait until the next legislative session. Mr. Duncan said that this is a matter that the subcommittee on General Government will be looking at more, and he said that he would like this item held over until it could be studied further. Mr. Malone said that the committee wants to be sure that the new payroll system will solve the problems. Mr. Warwick said that the people involved have made the unanimous recommendation that this is the only approach they could take. He said that unless there is someone else involved who says differently he cannot see what delay will accomplish.

There is a \$28,800 supplemental request for Archives and Records. Justification states that a lot of this is paper costs. Mr. Malone asked about the increased number of forms. Mr. Warwick said that

this supplemental is mostly for increased cost of paper. Paper costs have increased between 30 and 100% and that is seen throughout state budgets. A certain portion of this is because of the increased number of forms -- needs have increased since agencies came in with requests when the budget was prepared. The budget is prepared substantially in advance of actual expenditure of the monies. Actually they are starting now with preparation of the FY 77 budget. It is difficult to estimate costs so far in advance. Mr. Warwick said that the department tried to absorb these supplemental costs, but it would have necessitated changing items from personal services to these other areas. HB 252

Ms. Itta inquired about the equipment involved (Eastman Kodak, Telephone, Xerox rental, etcetera -- listed on January 30 memo from Mr. Winchell to Mr. Sewell). Mr. Rhode stated that he had checked into this. The contract with Eastman Kodak is for a microfilm camera which was obtained from another agency and in the FY 75 budget they were given money to pay off the sum noted as the last of the payments necessary to own the machine. Then when paper costs rose, the certifying officer took the money for all those things (the camera plus the other items shown) in order to keep buying paper. The last legislature did approve all the items in this portion of the supplemental with a few exceptions. The miscellaneous costs at \$300 a month is a "hedge" on paper costs for the rest of the year. Transportation of things he said he thought was the result of Tri-trades requiring that the moving be done by their people, as is installation of shelving which was originally intended to be done by employees at no extra cost.

Ms. Itta asked if the Department of Administration is doing anything to decrease the use of paper because of its high cost; for example, cutting down on the department newsletters. Mr. Warwick said that with regard to the newsletters, he said that he hadn't considered that but thought it was a good idea. One thing they are considering are changes in the data processing center, which uses tremendous amounts of paper; they are exploring other alternatives -- other kinds of duplicating. In direct answer to her question, Mr. Warwick said yes, they are trying to decrease the use of paper, but perhaps they have not been going into it as much as they should be.

Mr. Dawson noted that Archives and Records was working toward reduction of paper usage throughout the state as one of their objectives. This was the reason for going to central forms, and that is something they are doing.

Mr. Rhode mentioned that by January 1, 1976, Payroll is hoping to have the capability to pay those employees who elect to have it done this way by depositing their paychecks directly into the leading banks, which could save a considerable amount of paper.

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Mr. Gruening said that apparently the state is involved a little bit in recycling paper. He asked if the department has plans to recycle as much as possible. Mr. Dawson said that they have talked about recycling agency paper. He has suggested an issue study. Mr. Gruening mentioned the recycling of computer stock cards which was done last year. Mr. Warwick said that the problem with recycling is that it is very labor intensive. There was some further discussion on paper costs and the possibilities of recycling. Mr. Hogan mentioned that Data Processing does it in Juneau. A van load of paper that is taken up goes back empty, so now when they unload a van of new paper, they load it up again with used paper and it goes back down on the van. That is what they are doing, too, with the status reports. HB 252

Mr. Gruening moved to report out HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL 88 (Potter Point). Mr. Rhode explained that the committee substitute specifically refers to the federal receipts, but the fiscal note is identical to that of the original bill. There being no objection, the bill was reported out of committee, per the motion, with a unanimous "do pass" recommendation on the committee substitute. SB 88

HB 250 was brought up for consideration. Going through the items in the supplemental request, Mr. Malone noted that the Human Rights Commission was taken care of in another bill. Committee discussed the disaster relief fund. Ms. Itta wanted to get updated on Senator Ferguson's bill and whether it is likely to pass this year. Mr. Malone said that there is a similar package on the House side. They deal with the Bering Sea storm and flood damage. Mr. Duncan said that there is one bill in the package which does not; that is the bill dealing specifically with the disaster tax. That bill removes the \$10 per head school tax and creates a \$20 per head disaster tax. HB250

Alternatives in the matter of the disaster fund appropriation were discussed. Mr. Naughton said that testimony this morning indicated that the state has to spend \$400,000 before it triggers federal disaster relief, so he thought it would be unwise not to appropriate whatever is necessary to bring that disaster relief fund up to the level where it can be used to trigger those funds. He thought that it would be prudent to appropriate \$500,000 into that fund. That will give them a little bit of leeway over the \$400,000. If they reduce that \$1 million relief fund down to \$500,000 and eliminate the Human Rights Commission figure, which has already been taken care of, the total for the supplemental would be \$697,300.

Mr. Gruening asked for more information about the federal trigger on the federal relief money. Mr. Hogan said that in conversation with Mr. Johnson of the Alaska Disaster Office that Mr. Johnson said he has been told in negotiations with federal disaster relief personnel that Alaska has to spend \$400,000 of its own resources

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before the federal government will come in. No matter what the disaster, that is the way it has to be. There is a fiscal note being prepared now spelling out the agreement and how the \$400,000 was arrived at. In response to Ms. Itta's earlier concern, Mr. Hogan said that Senator Ferguson has several bills in. Two would take care of the Nome disaster, a third would add money to the disaster relief fund, and the fourth would reinstate the disaster head tax. HB 250

Mr. Gruening thought that Senator Ferguson's bill for \$400,000 to the fund sounds like a pretty good bill, and he asked why not at least hold this until there is some indication of what will happen to the Senator's bill. Mr. Malone said that he went over that bill, and it sets up guidelines as to when the disaster funds can be released. He said that if the committee is interested in waiting to see what happens with Senator Ferguson's bill and reporting out a member's bill rather than a Governor's bill, this item could be struck from this supplemental and it could always be put in the general appropriations act if the Senate bill does not pass. In that case it would be given an immediate effective date in the appropriations act so that it would be available if necessary during the month of June. There was further discussion on this, with the note made that the Senate bill is drawn incorrectly and the suggestion that there be a House Finance bill.

MOTION

Mr. Gruening moved to delete the items under Disaster Relief Fund and the Human Rights Commission from HB 250, and revise the figures accordingly. Motion was adopted. Mr. Naughton moved that the amendments be incorporated in a committee substitute and that the committee substitute be reported out of committee. Mr. Duncan objected for purposes of discussion. He asked about SB 265 and Mr. Hogan said that this is not really written properly. That is because the bill was copied from the one for Fairbanks, which was also incorrect. It was a sloppy bill. This is the appropriation for that authorization. There is another complete set of bills coming through. If there is a \$400,000 requirement holding up federal funds, then certainly this would have been met by now, with the money for the generators having just been signed into law. Mr. Duncan removed his objection. MOTION

[Mr. Haugen entered the meeting.]

There being no further objection, HB 250 was replaced with CSHB250 and was reported out of committee with a majority "do pass" recommendation; not concurring was Mr. Haugen who signed "no recommendation".

HOUSE BILL 252 was brought before the committee for consideration. HB 252. Mr. Malone briefly reviewed what went on in the earlier meeting on this bill, and reminded the committee that the Commissioner had requested an additional \$200,000. There was discussion on whether

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or not this \$200,000 has to go in this particular appropriation because there was interest in taking a deeper look at this project. HB252
Mr. Malone stated that he is not completely sure that the Commissioner understood the committee's interest in all the problems that have been brought to their attention. Mr. Duncan said that he doesn't see why they should rush this \$200,000 amount through. This is one of the areas his subcommittee wishes to go into more extensively. Mr. Naughton said that Mr. Warwick had made the point, however, that if they are not going to get this \$200,000, they ought to stop expending the \$400,000. Mr. Malone repeated that he did not want to be spending more money without taking a closer look at what is going to be accomplished and without making sure that this is in fact going to meet the needs of the state.

There was discussion on the Pioneers' Home portion of the supplemental. Mr. Malone reviewed what the committee had been told about this. The state decided to provide program services even though they didn't get the federal monies -- which, he commented, is something to think about.

Mr. Gruening asked what would happen if they don't give them this money. There was a goodly amount of concern expressed over the administrative decision not to cut services but, in fact, to continue the present level of service even after being apprised that federal monies would not be forthcoming. Mr. Haugen commented that he had warned the committee and the department about this possibility last year, based on his understanding of the federal position on the matter. The operation at the Pioneers' Home is considered discriminatory based on the residence requirement. Mr. Naughton inquired about that. Mr. Haugen said that the purpose of the homes in the first place was for the original, old-time Alaskans. If it is opened up to anyone, regardless of residence, it will not only defeat the purpose of the Homes but will, in addition, open up a "terrible can of worms" in terms of additional state responsibilities, expenses, expansion of Homes, etcetera. He said that the Pioneers of Alaska are violently opposed to opening this up to anyone other than those already provided for by law.

On the matter of the Archives and Records request, the committee was reminded that the paper was purchased -- it was the other items which had been appropriated that were abandoned in favor of the paper and forms and which the agency now needs money for, in addition to additional funds for paper and forms. Mr. Duncan asked if there isn't a transfer from the Highways budget to the supply budget to pay for the increased forms needed. No one was able to answer the question as to what was department cost and what was supply costs.

There was discussion on Tri-Trades and other collective bargaining units' impact on the state budget. There is a lot in all the budgets being justified by collective bargaining impact and there was

some question in the minds of some of the committee members about this. Mr. Haugen commented that he would hope after struggling through this batch of supplementals that they would write a budget for next year for which the agencies could not come back for supplementals.

HB 252

Mr. Duncan thought that the committee should find out which increases are really related to collective bargaining. Mr. Gruening agreed.

Committee declined to take action on the bill at this time, desiring to do further research on some of the requests.

Meeting adjourned at 4:00 p.m.

ADJOURNED

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This is a continuation of the meeting of March 25, 1975; 1:30 p.m., which is in the Budget Minutes Book.

AFTER RECESS
3:15 p.m.

All members were present with the exception of Reps. Itta, PRESENT
Cowper, Gruening, and Duncan. Also present was Mr. Joe Josephson,
Commissioner Gallagher of Department of Revenue, and Messrs.
Eppenbach and Boetsch of the Department of Revenue.

Chairman Malone called the meeting back to order, announcing that
the committee would be taking up HOUSE BILL 304 (relating to HB 304
borrowing in anticipation of revenues) for discussion. This bill
eliminates the interest rate ceiling of five per cent a year on
short term revenue anticipation note borrowing.

Ms. Buchholdt requested the Commissioner's thoughts on the bill.
Mr. Gallagher said that to set a limit during the financial "crunch"
really hurts the state. Ms. Buchholdt asked the intent of the legisla-
tion originally. Mr. Gallagher said that it was to never make the
state borrow at over 5%; but that was at a time when there was no
problem -- the rate was around 3%.

Mr. Naughton asked what these notes are going for on the market
now. Mr. Gallagher said around 4%; but two and a half months ago
there were going for 5 or 6%. Mr. Malone asked if they run about
the same interest rate as GO bonds and Mr. Gallagher said no. These
are short term; GO bonds are long term. This is a three to six
month rate.

Mr. Eppenbach said that the law was originally passed in 1974. He
gave some recent quotes of rates, which showed considerable fluctua-
tion. The market is not stable, he said, because of certain New
York State Authority Bonds; in fact, New York City notes.

Mr. Haugen said that when the deficit hits the federal budget they
are going to take 25% of the cash flow in the money market; he
asked if that is correct. He was answered yes; they are going to
be taking one quarter of the largest deposits of all the major banks
in the United States. Mr. Malone asked if they were to be tied to
the ceiling, some notes today would be right at the lid, and Mr.
Gallagher said yes.

Mr. Haugen moved that HB 304 be reported out of committee. No MOTION
objection, so ordered. Committee report was signed with
individual recommendations, Reps. Malone, Haugen, Guy and Naughton
signing "do pass" and Rep. Buchholdt signing "no recommendation."

HOUSE BILL 324 (Permanent capital fund) was brought up for discus- HB324
sion. This was a very brief overview of the bill, following which

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the committee decided that a work session on the bill was in order. HB 324

Mr. Eppenbach made some preliminary comments on the bill, prefaced by the statement that he wished to be able to come back again to the committee with more definite comments on the bill. He proposed some technical changes to the bill. The Administration, he noted, has not yet had the opportunity of going through the bill.

Mr Eppenbach noted that he was speaking from the point of view of the Treasury. First, he referred to line 24, page 1, of the bill. Here it states that 95% of the receipts from mineral lease bonuses are to be deposited in the permanent fund. He pointed out that 7% of a lease sale is already obligated; 2% to the native fund and 5% to the renewable resources fund.

Another point he brought up was the limiting of investments in the bill. He felt that it was unduly restrictive and that the state would be losing a lot of safe, attractive, short-term securities. He asked that all of the investments permitted under AS 31 be added to the bill.

he

Still another item in the bill which had question about was the constitutionality of limiting the loans to persons who have been residents for five years.

Mr. Eppenbach also made reference to the moral obligation involved - another legislature could repeal the statute and invest the principal of the fund.

Mr. Malone provided some background on the bill. He said that Mr. Eppenbach's point about the moral obligation was essentially correct. This legislature or a future legislature certainly could repeal the statute and invest the principal. However, a lease sale by the state of Alaska in the interim between the two legislative sessions, should this legislation pass, would mean that the statute would be in effect and the fund would be established.

As to the point about the 95%, Mr. Malone said that that was well taken and would have to be corrected.

As for the design of investments allowed under the fund, Mr. Malone said that the idea was to come up with something that amounted to what would allow an investment program on a fairly short term basis -- to preserve a fairly high percentage of liquidity in the fund itself and those may not be the best investments to make. The reasons for elimination of some of the existing loan programs from the fund at this time is that perhaps some of the loan programs the legislature might wish to consider reviewing before tapping them into a permanent investment fund. However, some of those programs might be determined eligible by a future legislature. The idea is to keep a sufficient

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amount of the permanent fund that is not invested in long term, illiquid form so it could meet long term needs of the state. The idea is to not see it all tied up.

Mr. Eppenbach made one more point. That was that if the legislature should decide to go this route, he would like to see some provision in the bill such that the fund could be pledged for the payment of the state's debt service on general obligation bonds. He said that he would like to see this explicitly stated.

[Mr. Gruening entered the meeting.]

The committee decided to tentatively schedule a work session on HB 324 for Thursday night, 7 p.m.

SENATE BILL 80 (repealing requirement that cause of action against the state be tried by judge without jury) was brought up for discussion. Mr. Malone explained that this bill would allow a person to have a trial by jury as stated in the bill title. The cost on this is not extensive: \$8,000 estimated for FY 76 and going up to \$11,800 in FY 80. SB 80

Ms. Buchholdt asked how often the state has to defend itself in court per year. She was answered approximately 15 to 20 cases are brought per year.

Mr. Haugen moved that the bill be reported out of committee No MOTION
objection, so ordered.

The minutes were approved as of 3/10/75.

Approval
of Minutes

Meeting adjourned at 4:25 p.m.

ADJOURNE

HOUSE FINANCE COMMITTEE
Thursday, March 27, 1975
7:30 p.m.

All members were present with the exception of Messrs. Cowper and Gruening. Also attending the meeting were Lawrence C. Eppenback, Deputy Commissioner of Treasury; Representatives Nels Anderson, Sam Cotton, Laurence Davis, and Terry Gardiner; Dorothy Anderson; Ron Eddy; John Greeley, press; Jay Hogan, Director of Legislative Finance; Jim Rhode, Assistant to Mr. Malone.

PRESENT

Mr. Eppenback handed out a memorandum to Mr. Gallagher, Commissioner of Revenue from him with the subject "Treasury Comments on HB 324 and SB 297." (This is included as part of these minutes). He said he had little to add to this; the administration will not take a position at this time.

HB 324
SB 297

There was extensive discussion between the Chairman and Mr. Eppenback concerning the liquidity of such a fund and how the types of investments specified under AS 37.10.010 and 070 would affect it. The Legislature required investment in Veterans' Loans and the Commissioner of Revenue had no discretion. They are required to buy them. Presently that is at the rate of about \$3 million a month. Mr. Eppenback recommended that the list in AS 37.10.070 be adopted with reference just to the permanent fund; that it be reworded so that those particular loan programs that take away liquidity can be deleted and new ones developed. AS 37.10.070 is a general State surplus investment act and could be made into a permanent fund.

Mr. Naughton observed that the discussion had been more a discourse on liquidity and missing the point of the philosophy of a government in the happy instance where there are considerable resources. The benefit in investing in the economy of the state or in the state itself outweighs the advantages of liquidity.

Mr. Eppenback agreed, but commented that something should still be done with this money. The Bill is right at the heart of that philosophy. It was noted, from the welfare assumption, you should always take from Peter to pay Paul; it is desirable if Paul is helped out at all. If one is less well off, the other is raised and they are made more even. By setting aside money into a permanent fund, a statement is made. You are saying that meeting the longer term needs is more desirable than meeting some of the welfare.

Mr. Eppenback raised the question of what this would do to our financial planning over the next few years. In a lighter vein he noted this was a nice continued employment Bill for the Treasury.

The meeting was recessed at 8:00 p.m.

RECESS

AFTER RECESS
8:27 p.m.

Mr. Malone called the meeting back to order, saying that the purpose of the break had been to prepare amendments to the Bill.

Mr. Naughton moved to delete "-five" on page 1, line 24. Mr. Gruening objected. Mr. Naughton explained that there is already 5% renewable resource commitment on the fund sources and a 2% overriding royalty on the Alaska Native Claims act; this leaves a 3% cushion. Mr. Gruening withdrew his objection.

MOTION

Ms. Itta objected; roll was called, the motion carried with Ms. Itta the only dissenting vote.

Motion
Carrie

Rep. Anderson asked, and was given permission to make his comments on HB 324. He began by reading a portion of Mr. Atwood's editorial in the March 26 Anchorage Daily Times entitled: Bonus Money RIGHT ABOUT FACE.

Times change and lessons are learned.

In curious testimony of this are companion bills introduced in the House and Senate at Juneau which would bar the use of revenue from future oil and gas lease sales to fund operational costs of the state government.

More than two-thirds of the legislative membership has signed the bills as co-sponsors, a virtual complete turnaround from five years ago when the 1970 legislature couldn't wait to spend the \$900 million bonanza the state reaped from the North Slope lease sale which followed the giant oil discovery at Prudhoe Bay.

The money was not all spent at once, to be sure, but its expenditure was committed. By the end of the next fiscal year all of the \$900 million--and then some--will have vanished and the state will be faced with a red-ink deficit operation.

The truth is that the hard fact of tomorrow's economics has been impressed on the legislators. And that's progress of high order.

On House Bill 324, he withdrew his name for reasons which he felt all had a right to know. In the midst of a fiscal crunch, he believed that the type of activity this Bill was trying to do is action being taken at the wrong time.

He had no objection to the sentiment that Alaska should be invested in and an economy started that Alaska can utilize and depend on, but felt the act should take effect on January 1, 1979; that this is not the right time.

A permanent fund is being developed in essence already with the purchase of G.I. loans under Veterans' Administration and various other types of loans. It would be more appropriate to wait until money began to flow on January 1, 1979.

His final comment, relating this development of a portfolio of investment properties that the State of Alaska will purchase, to the nine months and much advice involved in developing the same type of program for the Bristol Bay Corporation. They consulted

with the Commissioner of Revenue and others whose business was to advise people on how to invest money. This type of investment should not be jumped into, but deserves more study. He questioned whether this was in the best interests of the state of Alaska. If there was a budget surplus, he could see establishing a bill like this.

HB 324
SB 297

Ms. Itta stated that she had been very happy to be a cosponsor on the bill; there is a need to establish a bonus permanent fund in the State. She is in somewhat an uncomfortable situation at the moment and is having some attorneys in her region look into bills such as this one, and would like to study this one a little bit more.

Mr. Gruening asked Mr. Anderson if his same objection would be maintained if there were other means than taxing reserves to resolve the deficit problem. The answer was yes. He would like to hear any other ideas, but has not seen any evidence of other alternatives besides taxing oil in place that have been investigated. He felt this bill should not pass until the deficit had been solved.

In 1970, Mr. Gruening noted, the very same argument was raised that the state was facing a deficit in terms of projected operating expenses though not of the same magnitude. Until we can make up for lost time we should not invest. Mr. Malone remarked there were also attempts to establish a permanent fund that failed. This led to discussion of the history of the \$900 million and what followed during the Egan administration, in relation to the delay in construction of the pipeline.

Mr. Anderson said if the fund had been created and proceeds put into it, the maintenance needs of bush Alaska would not have been met. The fund should not be enacted until rural Alaska reaches parity with urban areas. Mr. Gruening expressed empathy for him. He noted needs other than just expanding government, but that 600 to 700 state employees were being added every year and he couldn't see what benefit was being derived.

Mr. Duncan asked the rhetorical question: With the \$900 million was the education provided, or the roads provided. He felt a return for their money had never been realized. There is nothing in this Bill which restricts or prevents loaning the money for the projects mentioned by Mr. Anderson. He felt it would provide a better means for them.

Mr. Malone called the Committee's attention to the matter at hand; House Bill 324.

Mr. Naughton moved to delete, in Sec.37.11.120, beginning with "(investment of surplus state funds)", on line 28, page 1, the balance of that section ending on line 10, page 2; and insert "in state loan programs designated by law as eligible for permanent fund investment, except that those investments may not include common or preferred stock."

MOTION

The Chairman explained that this motion would provide for a permanent fund investment which was equivalent to the general fund investment except for common or preferred stock. It would

provide for investment in any loan programs. In response to Mr. Guy, Mr. Eppenback said it gives the broad intestment which is desirable. The Treasury Division believes common stock is desirable for a permanent fund, but it is a matter or personal conviction.

HB 324

There was no objection to the motion and it was so ordered.

Motion
Carried

Mr. Naughton moved to delete on page 2, line 17, the words "loan or grant"; place a period after the word "law" on line 18, and delete the balance of Sec. 37.11.130 (a), lines 18 through 25.

MOTION

The reasoning behind this is that any program established by law would be an allowable purpose for the appropriation of the interest received from the loan principal. It could be a grant or a loan or for general operations of the state government. Appropriations could be for any public purpose.

Mr. Malone allayed Mr. Duncan's fear of losing legislative control, saying only the Legislature can make appropriations. Mr. Hogan added that the word "appropriation" has a very specific action called for.

There was no objection to the motion and the amendment was adopted.

Motion
Carried

Mr. Guy asked the methodology to be used in making the reimbursement; Mr. Malone refered back to the previous section on page 2, line 13. The amount of income would be reduced until the loss was made up before more money was loaned.

Mr. Gruening asked Mr. Eppenback what kind of potential investment would have a lot of capital appreciation; he was told, all bonds of any term have that potential. Capital gain would be income, capital loss would be a capital loss and income would have to be poured in to meet that loss.

Mr. Eppenback commented that perhaps a series of bonus sales might add to the fund which might be a hedge against inflation. The Chairman remarked that to compensate for inflation right now the earnings would have to be very high.

Mr. Naughton moved to report out of committee, a Finance Committee Substitute for House Bill 324, incorporating the amendments discussed. Ms. Itta Objected. Roll was called, and the motion carried with Ms. Itta and Mr. Guy dissenting. The Committee recommended it "Do Pass" except for Ms. Itta and Mr. Guy who gave it "No recommendation."

MOTION

Motion
Carried

There was no further discussion and the meeting was adjourned at 9:35 p.m., with the next Committee meeting scheduled for 9:00 a.m., Saturday, March 29.

ADJOURN

Sterling Gallagher
Commissioner
Department of Revenue

March 27, 1975

Lawrence C. Eppenbach
Deputy Commissioner
Department of Revenue

Treasury Comments on
HB 324 and SB 297

This memorandum summarizes preliminary Treasury comments on HB 324 and SB 297, Acts establishing an Alaska mineral lease bonus permanent fund. In general the Treasury Division supports measures which set aside a portion of revenue from petroleum discovery to better plan for the day when Alaska's nonrenewable wealth will be gone. We are also deeply involved in the financial planning required for the state to meet the crunch coming in Fiscal Years 1976-1978 which both bills may directly effect. Our comments, will be limited to those of a technical nature and will not include an assessment of the revenue effect of setting aside bonus payments.

General

HB 324 and SB 297 proposes to create a permanent fund by an act of legislation morally obligating future legislatures to leave it intact. Once begun, such a fund may acquire a long term character.

Contributions

The deposit of 95% of mineral lease bonus into a permanent fund would cause a total of 102% to be dedicated (5% Renewable Resource, 2% Claims Act).

In addition, the sharing of cash bonus as distinct from royalty payments, rentals, etc. would add a new dimension to the question of whether the state should adopt royalty bid lease contracts.

The most critical aspect of a 95% bonus sharing is the previously mentioned impact on planning the state's financial response to our temporary crunch. A smaller percentage, or a staggered increasing percentage over time, or a delayed effective date would all improve the chances for a bonus sale this year to help the State meet its pending financial obligations.

Investment

A long term fund should have broad investment authority exercised at the discretion of professional investment managers held responsible for their actions under a prudent man rule. Such investment authority would allow the fund to take maximum advantage of imperfect markets (made so because of constraints placed on other funds) to achieve a high return.

Ideally a permanent fund has its portfolio balanced between instruments achieving a high "economic" total return; such as certain Alaskan investments, and those achieving a high cash return to provide a hedge against inflation.

AS 37.10.070 provides a comprehensive list of desirable investment instruments including a full range of short and long term fixed income investments, Alaskan residential and commercial mortgages and common stock. The Treasury division recommends that this list be adopted intact. Should there be an absolute need to eliminate a particular form of investment, such as common stock, then it should be specifically deleted. The approach taken by HB 324 imposes unnecessary and undesirable limitations on the range of legal investments.

Use of Fund Income

There is some concern expressed in Treasury as to the legality of (a) (3) regarding the limitations on appropriations of fund income. The approach taken in SB 297 (otherwise identical) of deleting this portion obviously removes this issue. However, we are not attorneys and suggest a review of this provision by the Department of Law.

Additional Points

The proceeds of cash bonus bids add to the state's total stock of wealth. It would be desirable to continue to have claim to this total wealth to secure State GO bonds. Rating agencies have expressed concern that any division of our resource development proceeds may injure our ability to secure debt. Of course, any legislature could appropriate these funds to meet the debt service requirements of state bonds. However, a bond buyer would be more assured and hence require less interest if such a pledge was made specifically.

Cost of Administration

The Treasury Division does not anticipate any cost of administration requiring a fiscal note at this time with acceptance of Treasury's proposed 1976 budget. Future expenses, not expected to be large, would be displayed in future annual budgets.

HOUSE FINANCE COMMITTEE
Friday, March 28, 1975
1:47 p.m.

Members present: Mr. Malone; Ms. Itta and Messrs. Naughton, Guy and Duncan. Mr. Gruening and Mr. Haugen arrived later.

PRESENT

Members absent: Ms. Buchholdt and Mr. Cowper.

Others attending: Speaker of the House Mike Bradner; Rep. Charles Parr; Jay Hogan, Director, Bob Grogan and Milt Barker, Fiscal Analysts, all of Legislative Finance; and Dennis Dooley.

The meeting was called to order for consideration of House Bill 254, making a supplemental appropriation of \$50,000 to the Department of Commerce to provide for drafting and implementing regulations concerning the control of residential rent.

HB 254

Mr. Bradner, the prime sponsor, said when the rent control Bill was passed last year, it wasn't the best, but probably adequate, especially if somebody wanted to use a little imagination. It left a great deal of latitude to the administration. Egan's administration did not draft regulations.

The next bunch wanted to do anything to avoid rent control. One excuse was that they did not have the staff or money to do it. So they grabbed the figure out of the air. They were told to watch the money, account for it and any left over would lapse.

A Fairbanks delegation has sent a letter to the Governor asking him to at least implement rent control. There are at least two other revised rent control bills floating around which may or may not pass; this is why the extension was passed the other day.

Essentially, HB 254 is to take away their excuse.

Mr. Malone said he would like to get an appropriation in front of the House but didn't know what figure to use. Mr. Bradner's opinion was they should be able to do it for \$25,000 or get a new bunch of Commissioners. He suspected that the Governor had said he may have a preliminary hearing in Fairbanks. Any avenue of retreat should be closed to them. They do need some money for travel; and might need some temporary people. If it were cut to \$25,000 it should be adequate and a letter of intent should accompany the Bill to make sure they account for expenditures. Mr. Bradner said "quite frankly, I think they do not need any money."

Mr. Malone said he would like to remove the argument that they are not funded right now to do it. Mr. Guy felt the Bill should be reported out of Committee at \$25,000 so they could begin immediately.

Mr. Duncan asked about the funds lapsing; Mr. Bradner reported the original thought to be that there was time for them to complete the regulation work which was why he suggested a letter of intent. The supplemental also lapses.

Mr. Malone told Ms. Itta they had shown no interest in doing anything about the fiscal note. He felt the legislation should be acted on which would remove one argument by giving them some money. It will show that the Legislature is interested.

Dennis Dooley passed along a comment of the Chamber of Commerce meeting last summer. They passed a resolution in Valdez requesting the Governor's office to prepare guidelines for rent control in Valdez. The Community and Regional Affairs man did not want to go to Valdez, but they did hold a hearing which was not adequately advertized and not run very well.

His opinion was the rent bill did not address a concept that could be reasonably enforced. It goes back to a shortage of housing and replacement costs. The problem in Valdez is not enough housing, not enough land available. Appraised evaluation went up over 40% last year. Transportation costs escalated 30%. Cost of construction is having to import skilled labor and pay high subsistence costs.

(Messrs Gruening and Parr entered the meeting).

Mr. Dooley thought the guidelines would encourage a shortage of housing because the control is on the end product.

Mr. Naughton moved to amend the \$50,000 to \$25,000 on line 11 of the bill.

MOTION

Mr. Gruening thought this was a lot of money to get a set of regulations, and wondered what "implementing" included. Mr. Malone reported that the Commissioner of Commerce was not sure how the implementation of regulations would be done. Mr. Gruening pointed out that the Attorney General's office usually revised the regulations if they did not draft them. The Chairman noted that to get regulations drafted and out might require one or two persons on a temporary basis. An amount for travel for public hearings and some money for making sure the landlords and tenants had access to know what was going on, was needed.

There was no objection to the amendment to change the amount to \$25,000, and it was so ordered.

Motion
Carried

Mr. Naughton suggested the words in the title and on line 12, be changed from "drafting" to "promulgating." Mr. Malone suggested it read "to provide for hearings, distribution of regulations."

Mr. Gruening moved and asked unanimous consent to adopt the amendment. Mr. Naughton said he would like to see "implementation" left in, meaning enforcement would be the job of the department.

(Mr. Haugen entered the meeting).

Mr. Malone noted that under the law there is no specific provision for enforcement. The department is charged with promulgation of the regulations. The enforcement would fall to the other agencies as other regulations do. He hoped that general distribution to

the general public might take care of enforcement. He pointed out another problem: In the chapter providing for the establishment of the regulations in the first place, there is nothing that can be used to enforce it. No penalty provision in the law.

HB 254

Mr. Naughton suggested a rental licence could be required in order to rent housing in an emergency area and violation could result in revocation of the permit. The reason for his "hang-up" on implementing; if there is to be any enforcement he is sure that no one in the House is charged with it. Someone would have to be put on to enforce the regulations.

After looking at the Statute, Mr. Gruening felt some "teeth" should be put in the Bill. Any landlord might have a valid objection. He suggested a provision for maximum rents, perhaps add to that section saying that court action may be brought to enforce maximum court ceilings, making it clear that enforcement of the regulations is the intent.

There was no objection to including the word "implement" in the amendment. There was also no objection to the amendment and it was adopted. The final amendment that was considered read:

Motion
Carried

Section 1. The sum of \$25,000 is appropriated from the general fund to the Department of Commerce to hold hearings on the state's housing emergency and to promulgate and implement regulations concerning the control of residential rent as required by AS 34.06.030, and for distribution of such regulations to the general public in areas of the state where a housing emergency exists.

Mr. Naughton moved to insert a new Section 2 that would say this appropriation does not lapse until June 30, 1976, and to change the present Section 2 to Section 3.

MOTION

Mr. Duncan suggested making a provision for this in next year's budget to implement it as an ongoing program. Mr. Naughton's idea was that there is a rent problem in the state that must be dealt with, "the state's fiscal period be damned." The remedy cannot be even started until the summer.

There was objection to the motion. Roll was called and the motion failed with Messrs. Naughton, Gruening and Malone in favor and Ms. Itta, Messrs. Duncan and Guy opposed.

Motion
Failed

Mr. Duncan moved to report out of Committee, a Committee Substitute for House Bill 254, incorporating the amendments as adopted by the Committee; there was no objection and it was so ordered.

MOTION

Motion
Carried

The meeting was adjourned until 8:30 a.m. Tuesday, April 1.

ADJOURN

HOUSE FINANCE COMMITTEE
Saturday, March 29, 1975
9:30 a.m.

All members were present with the exception of Reps. Buchholdt, PRESENT
Cowper, and Guy. Also present were Representatives Wallis, Miller,
Swanson, Bowman; Comm. Harris of Public Works and staff; Commissioner
Parker of Highways and staff; Dee Frankforth, Richard Holden, and
other interested persons.

Chairman Malone called the meeting to order, announcing that the
purpose of the meeting was to hear testimony on bills on a DOT, HB 63
including HOUSE BILL (Creation of Department of Transportation).
He invited Mr. Bowman, as prime sponsor of HB 63, to comment.
Mr. Bowman said that there are five or six DOT bills in the legisla-
ture. He felt that that in itself attests to the fact that a number
of people think this is a good idea. As far as the original HB 63,
Mr. Bowman said that he himself no longer feels that it is the best
legislation to accomplish their purposes. It did, however, provide a
start. He said that he feels creation of a DOT is pressing, and he
said that he hopes the members will seriously consider coming out
with some kind of DOT despite the Governor's statement that he thinks
it should be studied for another year.

Mr. Malone noted that Mr. Bowman has been working on the idea of a
DOT for some time, and he asked what he sees as the principal advan-
tages of that approach. Mr. Bowman said that one of the things that
has troubled him most is that the legislature has never seemed to
have a handle on exactly what is being done in transportation.
Highways builds highways; communities have always been at the mercy
of whether they are going to be fused into a multi-highway system
or not, regardless of if it is good for them or not. He said that
he looks to an overall transportation system, that would use highways,
air, and marine transportation. He does not feel that this kind of
approach has been used enough, because each of the modes of transporta-
tion is distinct and of itself. He feels that a transportation system
that would look at all of these would be best for the state. Various
states have adopted this means. The federal government in many ways
is asking states to go this way. His idea is not to make a bigger
Department of Highways. He wants to see planning and construction
done in such a way that the federal monies are not used to bludgeon
the legislature into building what the Highways engineers want to build.
He feels building should be done on sound planning. He said that he
has a bill in that is to determine what the true cost of a highway
or building would be, to determine the costs over the life of the
building or highway -- not just original construction. In this way
true dollar expense to the state could be determined.

Mr. Haugen asked if they have already had some meeting with the agencies. Mr. Bowman said that what they have done up to now is they have had some meetings in the Governor's Office and there seems to be a conflict of testimony between the Department of Highways and the Department of Public Works. The concepts seem to be different, and the Governor is apparently unable to make up his mind as to which bill is preferable. HB 63

in State Affairs

Mr. Wallis said that when they talked about the DOT/ they looked for elements of planning, coordination, and accountability. With the present commissioner of Highways and Public Works he said that he thinks there is a good working relationship; however, with any change in commissioners problems could arise. The main difference between the Parker and Harris bills lies in the design and construction area. In the State Affairs bill, planning, maintenance and operation would come under the DOT; design and construction would come under the Department of Public Works. He said that a problem with the present system is that when mistakes are made it is difficult to know where it was made. What functions are performed and where is not clearly outlined, so no one is accountable.

Mr. Swanson said that he cosponsored the original bill because in a previous legislature he had introduced a total transportation authority bill. It didn't go, but his idea is that the state needs some one person who will coordinate all transportation in the state so that they are related. He said that it is his opinion that if there is going to be a good transportation system in Alaska, they have to have one person as a direct connection to the legislature. Somewhere there must be created an agency that is accessible through one person.

Mr. Haugen asked Mr. Parker if he has seen the Wilbur Smith study. That was a total transportation plan for the state of Alaska, and it cost at least \$500,000. Mr. Parker said that he has seen it but that no one implemented it. Mr. Haugen said that he would want to see the total staff layout of the proposed department and how it would function. He said that he thinks all three transportation modes are an important part of the movement of people within the state, and he sees no reason why the commissioners of Highways and Public Works cannot be working together. He said that he would like to see the Administration show how they plan to do this and how much it will cost. The state has spent millions of dollars on studies and is no better off now than they were before. He asked why the federal government would start in with a DOT and then begin taking it out again if it is such a good idea.

On page 3 of the committee substitute, Ms. Itta asked about the last line, which continues onto the fourth page, reading "and at each regional or district office of the department." Mr. Wallis said that the Department of Highways already has regional offices and he thinks that in the new plan there would be an office in Bethel.

Mr. Miller said he thinks the committee should be aware that there were two viewpoints on this even within the State Affairs committee. HB 63 There is a minority standpoint -- that of the chairman and vice-man. That viewpoint is that if they are going to create a DOT, it should be a single department instead of the bill being discussed which creates two departments. The State Affairs substitute, also known as the Harris bill or the Public Works bill, separates planning, operation, and maintenance from design and construction. People who are in favor of this type of plan (and he noted that this is certainly a case where "reasonable people may differ") think that the problems of accountability can be ironed out through this approach. Those, like Mr. Miller himself, who feel that there should be a single department that would include planning, construction, and maintenance, believe that accountability lies in having only one department to which "the buck can be passed". They feel that otherwise there is always going to be one department "pointing at the other". He reiterated that the minority opinion on the State Affairs committee was that if there is going to be a DOT, there should not be a division of effort. The authority should rest in one commissioner.

Mr. Malone invited the commissioners of Highways and Public Works to testify. He asked that they particularly give emphasis to the reasons there should be a DOT at all, advantages and disadvantages; and what the major issues and alternatives in the development of a DOT are; and how they would see the DOT working.

Commissioner Harris of Public Works was the first to testify. He said that the first element of this problem -- and the one that everyone is agreed on, is that the state needs some overall transportation planning. He said that he thinks there is a lot to be gained by the state by having some overall transportation planning. He said that the reason he has come forth with a bill that would propose to have a department that would do all of the state's design and construction is that there is considerable to be gained to the state in savings by such a configuration. At the present time things are planned only as the particular commissioner chooses to have them and sometimes these only represent a small group's attitude. They strive mightily to obtain these ends regardless of opinions of others involved. He said that he thinks CSHB 63 with its provisions which would require that all of the department planning in the state would be in the hands of one department, having all the capital improvement funds stay in that one department, would make that department accessible to all the transportation programs in the state. The construction department would be accessible to them, too, for all design and construction functions in the state. He said that he thinks the savings that would be created by having combined functions for transportation and combined modes would probably offer the people of the state savings in the magnitude of 2 or 3% of the overall costs of transportation.

Mr. Gruening asked Mr. Harris to comment on Mr. Miller's remarks.

Mr. Harris said that the way he would see this working is that the DOT would be doing all the work in planning and having control of the capital funds; then the projects would come over to Public Works for design and construction, and they would come up with project plans and that would go back to the DOT for approval. There would have to be an ongoing interchange between the departments, and Mr. Harris felt that this is where a lot of public information and input could be generated. If the DOT made allocation of funds, a requirement of the Department of Public Works would be that they produce a project in line with their estimates. He said that if the DPW agreed to take a job, if there was agreement between the departments, then he would think the DPW could produce a job within those estimates. If there was some disagreement, this is where it would come out into the open. Public Works could refuse to accept a project in a certain area until they were satisfied that they could complete it to the satisfaction of the other department. He said that to some extent there would be problems to work out with the other departments but they have that situation now. Sometimes they should have said no, when they did not have the money to go through with a project. He said he would like to think that the planning function would be improved under a new organization. He said that he thinks by combining design and construction for all the state's design and construction, they could offer considerable savings to the people of the state and could build a far more professional staff to handle those matters. He also saw savings in combining all of the maintenance and operations functions. HB 63

Mr. Malone said that when there is talk about reorganization of state government, it is usually in response to some major changes or specific lacks that exist within the state. He asked if there is anything in the way of concrete examples that Mr. Harris could think of that might be solved by creating a DOT along the lines of what he (Mr. Harris) is proposing. Mr. Harris said that as far as planning, he sees in remote areas Aviation in one year building an airfield; maybe two years later Highways comes in and builds local services roads; and in those operations perhaps 50% of the cost is the cost of mobilization and demobilization, so that with planning and coordination, costs could be cut almost in half. That is an area in which he sees considerable savings. He spoke also of advantages to be gained in having maintenance and operation within one department. He spoke of the present situation in which sometimes Highways is doing maintenance for Aviation - and vice versa. In the same way, he sees advantages in combining all the construction functions.

Mr. Duncan asked the Commissioner if he sees the creation of these two departments solving of of the kinds of problems in the state like the SOS school construction problems. Mr. Harris said that he would think if there was a stronger project plans section in DPW, that would help in some of these cases, and having a total design and construction department within the state would allow for this

strengthened section. He said that it would be arranged somewhat along functional lines in the department. HB 63

Mr. Malone referred to the SOS difficulties, problems that the committee has heard from the Court System, and asked Mr. Harris how the DOT/BPW arrangement would more effectively meet user needs. How would those problems be overcome? Mr. Harris said that he has not dealt with the court system, but in the case of SOS, he said that he could only refer to times gone by and before SOS developed a construction section of their own; Education then handled their program planning when they came up with their enrollment figures and requirements. This was turned over to Public Works, Division of Buildings. They did not see the problems then that they do today. Now SOS has assumed more of the responsibilities. They have gone far beyond stating their requirements and essential needs. They have acquired planning money and he said that he thinks they have gone beyond what they should be doing in program planning and actually getting into the early elements of construction and design planning which has caused considerable problems between the divisions. He said that he thinks if the Division of Buildings had the preplanning money to work with they would have had a better job of coordination and all. If SOS would come forth with their essential requirements in terms of space required, the professional people in construction could fill their needs.

Mr. Malone said that hopefully the SOS situation will be taken care of by decentralization and returning the education function to people in the communities. However, the Court System is still a problem. He asked how input is generated into the Department of Public Works, particularly as to the design function.

Mr. Harris said that certainly the planning section in the case of the DOT has to be of enough magnitude so that they establish some requirements as far as design before they would allocate funds to go ahead with the project. They would have to have design essentials that would satisfy them as far as maintenance and operation of the transportation system.

Commissioner Parker of the Department of Highways was invited to testify. Mr. Parker said that the broad concept of the DOT has been adequately stated and reflects in general the development of the DOT. He began his testimony by stating that the House State Affairs committee had requested him to get a solicitor's opinion from the U.S. DOT on the effect of the bill and the letter, dated March 28 (see bill file) says that the proposed bill will not meet the requirement of the state having suitable powers to discharge the duties required by title 23 of the U.S. Code. Mr. Malone commented that he has just received a copy of that letter and that the other members had not yet had a chance to look at it.

Mr. Parker read from his prepared statement on the DOT, which is HB 63 attached to these minutes. He commented on the legislation before Congress which takes 50% of the funds for the interstate system and that is going to cut the money available to be divided up. They are also considering allocation formulas on a population basis which would really hurt Alaska. The Congressional delegation is working to deal with this. Mr. Malone asked if this is something that Congress has to take action on. Mr. Parker said that the bureaucracy develops the allocation and presents it to Congress. He pointed out the situation with the ADAP bill. The state stands to lose up to 40% of its airport monies.

Mr. Parker commented that one of the advantages Highways has always retained is that federal surveillance has been minimal. There has been financial auditing, but planning has been left open. To break out the design and construction and try to achieve their means by constant coordination of committees at the third and fourth level, Mr. Parker felt would probably severely delay accomplishment of projects. He said that that you could not have that many projects and manage this constant coordination. An Alaska transportation plan is very much needed. Another objection he had to the division of the functions is that they have been working to bring designers and engineers closer together; this would put them further apart.

In response to questioning by Mr. Malone, Mr. Parker said that within the single department they are at least keeping people generally housed in the same area and working under single direction. He said that he was afraid that under HB 63 and the SA substitute they would be in a state of constant coordination that could well bog down the entire operation.

Mr. Malone said that in the legislature, particularly in past years, most of the emphasis on creation of a DOT has been along modal lines. Mr. Parker has suggested creation of the department along functional lines. He asked Mr. Parker what differences he sees in the methods.

Mr. Parker said up until recently he would have gone for a modal approach. There are 27 DOT's in the country that have been along modal lines and they are now changing to functional. He made reference to the blue document distributed to all committee members (copy in bill file) entitled Proposed Department of Transportation For the State of Alaska, at the end of which is a 12 page statement entitled "Information and Observations Concerning State Departments of Transportation". Pages 5 and 6 discuss organization along modal lines and recommend that non-modal organization be adopted. Reasons for this are outlined. The statement is made that "Simply creating a loose coordinating mechanism has not been found to be successful in providing the changes in transportation policy that creation of a

State DOT is supposed to make possible."

HB 63

In response to questioning by Mr. Guy, Mr. Parker said that the proposed bill in the blue document would satisfy the problems raised in the letter from the U.S. DOT as mentioned earlier. Mr. Malone mentioned here that he had requested Mr. Parker to include the proposed bill in the document. Mr. Guy asked for more information about the criteria under Title 23. Mr. Parker said that the criteria primarily relate to the ability of the state highway department to have a strong internal review section to deal with federal funds within one department so that they can be audited easily and so that nothing is lost or obscured in transfers between departments. The federal government, at least in Highways, are very strong on that. Also, as to design, they want to deal with a single department because fiscal control is design control.

Mr. Guy noted that aviation is a primary means of transportation in rural Alaska, and he wondered if there is some way that by expanding the definition of highway systems that aviation could be included for those areas, much as marine transportation is considered part of the highway system for southeast. Mr. Parker said that he has been working on that point for a long time. He said he first submitted it to the CAB when working for the federal government. He said that it appears that sufficient funds are appearing in rural public transportation funds to move forward in this area. He said that he has assigned a person to work on the rural transportation funding and see if they cannot get an air taxi system as part of the highway system so that it is eligible for highway fundings. He said that it would be easier to approach it there than from the Highway Trust Fund. He did not mean by that they they couldn't get a special trust fund for a demonstration air highway project. They are working on those concepts but they don't have much in house capability to work on this.

Mr. Malone asked if there are any national currents in Congress or the national administration to change the system of funding for transportation in the U.S. away from modal lines and just toward the needs of different systems. Mr. Parker said that there is a strong thrust that direction but they are not that close yet. It will probably be at least three years. Congress is moving that way and the only thing that is going to hold it up are the organizations strongly devoted to the Highway Trust Fund and the Airport Development Fund.

Mr. Malone said that one of the objections that has generally been raised to the creation of a DOT is from the different user or interest groups, i.e. the Air Carriers' Association who testified before the committee last week. Their fear is that aviation will be overlooked in favor of another mode of transportation. He asked Mr. Parker if he thought it was likely that one mode would be overlooked in favor of another under a DOT. Mr. Parker said that the whole intent as far

as he is concerned is to enhance the ability of all modes to best accomplish their purposes. The only one with the "horsepower" to go forward now, because they have the dollars, is the Highway Department. By combining modes, they will be able to take that very strong base and by combining with smaller bases develop the kind of strength they need and will not get otherwise. If they try to develop that kind of strength by mode it is going to be very expensive. He said that by using Highways as a base, the federal \$130 million can be used for administration, design, planning -- all those things. That is where they hope to get their efficiency. They certainly can use it to "beef up" their system and carry other systems. HB 63

Mr. Bowman said that he is not sure that the state wants the \$130 million to go into Highways. He said that the experience in his district at least is that this is not necessarily such a good deal. He asked with the so-called Parker bill, how would they be able to get a handle on what is happening in the DOT as opposed to the existing Department of Highways. Mr. Parker said that the way to keep track would be through the transportation plan. The five year plan would come in with a statement as to changes, why they were made; these are things that he felt should be laid on the table before the legislature. The transportation plan would be designed to show the changes. He said that this should be written into the bill. The plan is only going to be as good as the individuals involved until such time as it becomes institutionalized to the point that no commissioner is going to be able to come forward with a five year plan that is just a list of projects. Once there is a plan like that the legislators will always expect the transportation plan to come forward in that manner.

Mr. Malone asked what sort of input people would have into the DOT. Mr. Parker said that that 5 year plan should require approval of the legislature as the major representative and policy-approving body of the state. He said that he has a concern about responsiveness and meeting the needs of the state. He didn't feel that the bills addressed that point adequately.

Mr. Bowman said that he is not advocating getting rid of the political system, but he said that he does feel that what has happened up until now is that the legislature has not been getting a true picture of the cost of projects. He felt that this was an issue that needed to be addressed. He said that he is not opposed to the Parker bill and did not think that they were in disagreement except when he comes down to the break out of the planning and construction functions. He said that hopefully when they get down to the mockup they will be able to sit down and hammer it out. He said that he doesn't think anyone is advocating anything different. Mr. Malone said that he is.

Mr. Parker commented that the tragic thing is that the commissioners don't know about the true cost of projects, either.

Meeting recessed at 11:10 a.m.

RECESS

AFTER RECESS

11:15 a.m.

Chairman Malone called the meeting back to order. Ms. Dee Frankforth was present to testify on the bill. She read from prepared testimony (see bill file) and the thrust of her position was that the DOT should not be postponed. She went through the State Affairs committee substitute section by section giving a careful analysis and appraisal of each section.

On Sec. 040 of the bill, under Department Organization, Chairman Malone asked for elaboration on her recommendation. Ms. Frankforth said that she thought the bill should specify as to whether organization should be along modal or functional lines. She expressed her support for functional lines.

On sec. 50, Mr. Malone asked Ms. Frankforth what her idea was about Planning and Research participation. She answered that she just thinks there should be an additional clause to the effect that the Governor's Office Division of Planning and Research would also have to review the plan. In response to questioning by Mr. Malone she said that she also thought that the legislature should review it.

Mr. Wallis said that as to the departmental organization, they (in State Affairs) at one time thought about setting up guidelines, but they thought that for a department of this magnitude it would be so difficult to plan it all out and they figured that the legislature could always come back and recommend changes. He said that they thought they would give the administration and the DOT the greatest flexibility possible in setting this up rather than restricting them because they still do not know what is going to be in the DOT in some areas and did not want to restrict or hamper the organization.

Mr. Dick Holden testified before the committee, stating that he was representing himself and not the University of Alaska. He did not specifically address the issue at hand. His basic intent was to encourage the members to develop a public procurement agency. He favored the State Affairs concept over the original bill, feeling that there were definite advantages to having construction and planning in the same department. He did not want to see those elements fragmented, and felt that there could be considerable savings to the state if they were combined and there was a central procurement policy. He said that this would provide a chance for the state to greatly increase the organization and minimize cost of projects. The Parker bill, on the other hand, he felt would seriously impair that ability.

Mr. Miller asked Mr. Holden if he would agree that, for better or worse, should the Harris bill be adopted, the DPW would be the biggest

agency in state government. Mr. Holden said if it were charged HB 63 with that responsibility, yes (responsibility for all the construction in the state).

[Mr. Gruening left the meeting.]

Mr. Miller asked Mr. Holden if he would agree that if the Public Works bill were in operation, there would have to be bigger staffs in both planning and design. In the planning staff you would have to have design people, and in design it would be necessary to have some planning people if for no other reason than to translate terms. He felt perhaps that was building in inefficiency. Mr. Holden said yes, he would agree that there would be some duplication. However, he pointed out that the state would be saving millions of dollars per year in contractor claims.

Mr. Malone said that at present there are a number of state agencies involved in all kinds of procurement, maybe the most basic of which is personnel to run state government. The Department of Administration provides some services to difference agencies, agencies served buy from Inter-Agency Receipts. He said that his question is on the philosophy of the matter. Where do you strike a balance between the usefulness of a single procurement agency and the need for flexibility in carrying out some of the other functions toward which state government directs itself. Mr. Holden explained that he was only speaking of facility procurement. He said that what has happened in the University since they started to develop procurement techniques is that they are starting to force program people to justify what they want to build, and they are determining total impact on the state budget - operating and occupancy costs as well as construction. That's the best way to get a handle on true cost, he said.

Mr. Miller said that it seemed to him that within the DPW now they could do everthing Mr. Holden was speaking about. He asked why it needs to be restructured. Mr. Holden said that DPW would have to be given procurement authority. Mr. Miller asked if the University was given procurement authority, and Mr. Holden said no but it does not come under the provisions of the Budget Act. Mr. Miller suggested a legislative one-liner.

Mr. Malone said that in some areas now the DPW has had responsibility for procurement. No one thinks they have done a good job. He hasn't heard the same kinds of complaints about Highways. Mr. Holden said that he thinks the Highways preconstruction staff is incompetent, but when they err, no one hears about it because no one really knows that something is wrong. Also, DPW up to now has been pretty much of a "rag bag" organization. They are supposed to be building according to user needs but they do not have sufficient program planning. The whole bent of the programs have been toward rushing things out to bid because the program people "have the money and are screaming".

They don't have the money to get further ahead. He mentioned HB 63 the so-called "pork barrel" projects and their being rushed through and how that affects the planning process.

Mr. Bowman brought up specific questions relating to the bill, and Mr. Holden said that he really was addressing somewhat of a different question than the bill. He was really encouraging the legislature to look at development of a public procurement policy.

Mr. Naughton requested that Mr. Holden provide the committee with a diagram of the organizational structure of the University that would reflect how the procurement part fits in.

Mr. Malone noted that obviously there is more work required on the bill and so the committee would meet again at a later date to go over it.

Meeting recessed at 12:30 p.m.

RECESS

3/29/75

WALT PARKER BEFORE HOUSE FINANCE COMMITTEE - 3/29/75

During December and January an administrative working group was formed to develop some guidelines and recommendations for a Department of Transportation. Ten commissioners participated in this effort, along with staff from the office of the Governor, the Attorney General's office, and specialists from several departments. The results of the working group were presented to the legislature in suggested legislation which embodied several important principles which, it was hoped, embodied the concepts which Alaskans want from a DOT bill.

The principal features of this bill are:

1. The Alaska State Transportation Plan, which is not only a map of project locations, but is a comprehensive document which will embody the anticipated capital costs, maintenance costs, and operation costs, as well as anticipated benefits to the transportation system from such improvements. Impacts upon competing modes, land use implications, etc., will be carried forward in the plan.
2. Public hearings - A stringent requirement of the proposed legislation is to require the Department of Transportation to hold public meetings and hearings to discuss any proposed transportation improvement of significance. There are two hearings required. The first is in the form of a public meeting which discusses proposed "concepts" of transportation improvements. Basic strengths and weaknesses of a concept will be examined before any significant resources have been applied to the concept's development. The second public hearing is to allow public examination during the design of a transportation improvement which has been developed after being deemed practical as a result of the first hearings.

3. An inclusive statement also requires the department to file an environmental impact statement for its proposals for crossing any designated recreation area, wildlife or waterfowl refuge, an historic site, state forest land, a wetland, game land, a wilderness area, a public park, or a critical habitat area.
4. Enabling legislation should be as broad and flexible as possible providing freedom of organizational development. In a period of rapid advances in science and technology it has become increasingly important that developing regions, such as Alaska, take advantage of what is new or that they maintain flexibility in anticipation of coming changes.

The State of Alaska has been discussing the idea of a DOT for the past five years. We needed it five years ago and have suffered five years of continued inactivity in several areas because it or some similar framework has not existed. I am compelled to point out at this time that the Legislature's Interim Joint Transportation Committee, after a year's study, in their 1974 report concluded ". . . that Alaska has a very fragile, ineffective, high-cost and primitive transportation system, particularly when you get off the 'rail belt.'" Further, testimony by the committee suggested that, "The committee's bill, the Department of Transportation concept, found extensive support, especially for planning and providing (as a result of planning) a method of achieving economically feasible modes of interconnecting transportation to remote Alaska." The committee also suggested that there is "ample evidence of the need of an integrated Department of Transportation for planning through construction, not only as a tool of the present transportation program, but also to 'dovetail in' the new federal mass transportation proposals."

The urgency for creation of a DOT has never been more pronounced than at this moment.

We are facing possible demands for pipelines from both the federal and private sectors in several areas of the state. We are not one whit closer to having any capacity for dealing with these pipelines in the developmental stage than we were in 1969 when the original TAPS proposal was brought before us. The office of the state pipeline coordinator is designed to provide surveillance over the Alyeska project. It is not staffed for the kind of economic and engineering analysis that new proposals on pipelines will require.

In the area of overall ports and marine planning the state has virtually no capacity at all. Alaska's main logistical link for food, materials, and resource development is with water borne commerce. Shippers come to the state with ideas and there is no one for them to turn to for the type of port planning that is related to cargo flows and the support systems necessary for the smooth functioning of a regional port. The port of Anchorage provides many illustrations of this fact - inadequate dredging services, inadequate storage facilities, an inadequate road system to complement the port and expedite the delivery of goods.

The aviation system has been going downhill for 20 years in the bush. The only improvements have been a few airports. In the critical areas of communications, lighting, navigation aids and, most important, weather reporting, the gains have been marginal at the best for bush aviation. FAA administrators promise better things. I heard one do so last month. He resigned three days ago and his promises with him. The state capacity to develop total aviation systems tailored to our needs

and provide the FAA with our idea of a system must be developed. A catalogue of airports is not a system. The FAA has never been presented with a real state system to respond to. Neither has the CAB been presented a real system to respond to. Why must Alaska always be in a position of weakness here with no defined desires of its own in transportation?

In addition, it is mandatory that the state be in a posture that will insure that it receives all possible federal transportation dollars that it deems necessary to fulfill the goals of the state. Under the Urban Mass Transportation Administration there was available money last year for a mass transportation planner to the state to help communities in their planning and securing grants. Nothing was done because there was no Alaska Department of Transportation or other agency to petition for the funds.

The proposed allocation formulas associated with the ADAP's airport improvement program, and with the highway trust fund and general fund allocations, especially the rural transportation assistance program, suggest that the state will not be assured the share of federal transportation dollars it now receives in the period beyond 1976. An Alaska Department of Transportation will create an agency that can deal effectively with this changing process.

By combining the present planning talents in the transportation agencies in the state we can provide a minimum level of improvement. This must be buttressed by some carefully selected specialists in other areas not presently available on the state roster. Under a functional transportation organization savings could be made in administrative costs that would fund these new skills for the state.

Great tribulations beset this State on land and on sea. The problems related to the pipeline are but the whisper of future avalanches of projects dealing with energy extractions. OCS developments and continued exploration on land will create a host of related transportation problems that must be solved and that cannot be solved by the presently separated planning organizations in a timely manner.

Our resources are very thin and the problems are growing much faster than our capability to solve them. I believe that a DOT encompassing all functions of all state agencies concerned with transportation is a vital necessity now. If we delay we will continue the status quo that has brought us here to consider the creation of a Department of Transportation.

3/29/8

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