

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2572

AFTER RECESS

8:40 p.m.

[Reps. Itta, Naughton, Gruening no longer present.]

Chairman Malone called the meeting back to order, explaining that the remainder of the meeting was to be dedicated to a work session on House Bill 72 and 73, and that he did not anticipate hearing further formal testimony. Mr. Gruening noted Mr. Dupere's presence and said that if Mr. Dupere would like to testify, he would like to hear his comments before proceeding with the work session. Mr. Dupere said that he has been a long range planning consultant for the state for several years. He recommended looking at the four page drafted substitute for the bill (copy in master file marked "Draft"), if the committee was interested in delivering services to the communities who needed them most. He said that the bond bank he would visualize would be more streamlined than the original bill and so he was looking at the draft. He said that there is no reason to create a corporate overhead. The state could have an enterprise fund and assign it to the department responsible for rendering the services. Community and Regional Affairs has the responsibility for assisting communities. The committee substitute needs a little more work, but the concept is there. There is a fund created in Community and Regional Affairs. Monies can come from any source -- GO bonds which would result in lower interest costs; direct appropriation; allocation from permanent fund if that is established. He said that questions that are still unanswered are how to get the loans to political subdivisions; who is to be served; these are policy decisions that should be made before legislation is drafted. The essence of Mr. Dupere's testimony seemed to be that the original bill did not take care of the communities who were most in need of help. However, if it is the intent to help the middle-range communities, the bond bill would be of benefit to those communities. The question is, he repeated, who do they want to help. If the purpose is to help those communities who have incorporated, have been given elective powers, but have no money, HB 72 will not help them. The proposed substitute will help them. For the middle range communities (i.e. Petersburg, Wrangell, Seward, Soldotna) the four page draft can provide for fixed bids coming in on those bonds that those communities want to sell. Here he brought up another question: what is the reasonable rate for those communities to pay for their bonds. Around what interest rate can the communities pay? He again asked what size communities they wish to serve; who gets priority; where will the funding come from. He said that they could also provide the sale of revenue bonds in this fund which would be the same thing as the original bill. Mr. Malone here interjected that the draft Mr. Dupere was referring to was one that he had had drawn up. He mentioned that if it were to be considered at any length, that section (c) on page three should be struck along with lines 16 to 20.

HB 72

Mr. Dupere said that there is no limit by state law for bonds; sometimes there are local limits. Mr. Gallagher said that he thought there was a limit; 8% stuck in his mind. Mr. Haugen said that he remembered raising the maximum interest rate once from 7 to 8%. Mr. Dupere repeated that municipalities do not have a limit on the state of Alaska books. The State of Alaska has a limit on its bonds but basically the limit on municipalities is the usage rate. A particular municipality may opt for a maximum interest rate, of course.

Addressing the question of using GO bond obligation, Rep. Miller said that he has tremendous reservations. If the state is really going to serve the needs of a broad spectrum of communities in the state, they are going to have something in the magnitude of \$25 to \$50 million a year; some years it will be more, and some years less. That means that every two years, the voters of the state are going to have to vote on \$50 to \$100 million for the municipalities, over and above what the legislature will be putting on as state bond issues, i.e. University of Alaska, hospitals. He did not think that it was politically realistic to figure that year after year people will give endorsement for something of that size. They may do it once, but this is looking at something that will last year after year with no limit. Furthermore, those are municipal debts and yet they would be charged against the faith and credit of the state of Alaska. The basic bill very definitely states that this is not an obligation of the state of Alaska. He said that there may be some who would claim that there is an implied guarantee but he said that he would contest that. He said that it clearly is not an obligation of the state of Alaska and that is the reason the bond rate is not quite as favorable as if it was. The bond bank, no matter how big it gets, is never a charge against the state.

Mr. Malone said that they have a maximum authorization of \$150 million and it was explained that the reserve fund would be able to stock reserves for about \$50 million in bonds. It could conceivably be expanded, but he said that he was thinking they would be starting out with \$50 million and expecting it to go up to \$150 million. He continued that his feeling was that there should be a definite cutoff so the legislature would be forced to stop, look, analyze, compare bond offerings of communities who did and did not participate, check with bond counsel, and make a determination. Then all it would take is a legislative decision to go ahead with more. For the same reason, the first appropriation is about enough to accommodate a \$50 million offering. When they get past that, the legislature is then going to take a look at it with the experience of that \$50 million. In that way they can find out if they are "going down the wrong track".

Mr. Malone said that certain types of public facilities such as water and sewer under EPA, and schools, under the necessity for education, and so forth, are funded both by municipalities and in some

cases by grants of the state; but they are deemed important to the welfare of the state of Alaska, so he is saying, personally, that he is willing to commit credit of the state for purposes like that. He would object if it were for things like sports arenas and swimming pools. If the legislature does not want to authorize a large amount in GO bonds for municipalities because they are putting up a large state one, then they can cut back and just handle the smaller communiti He said that he is fairly well convinced himself that the state can stand a reasonable amount of debt service. In the end the money comes from the people of Alaska. He said that he does not see a split between the population of the state and the municipalities. HB 72

Mr. Miller said that he doesn't think the state can accommodate the appetite of the municipalities -- and he said that he was referring to the legitimate needs of the municipalities. Mr. Malone said that that is something the legislature would have to take a look at; how much could they stand. He said that he doesn't think the legislature is irresponsible.

Mr. Malone pointed out, in response to other comment, that Mr. Gallagher had shown him that under 37.10.079 if they wanted to put this in Revenue they could do it with a one liner. Mr. Gallagher said that Revenue already has the authority on the books to help these smaller communities. He cautioned against passing a redundant bill. The Municipal League came out with this concept to help the middle size cities and that is what the bill really is all about (the original). Mr. Haugen said that that is where he thinks the idea is not getting across. A lot of towns, like Petersburg, Wrangell, Kodiak, Cordova, are communities for which school construction alone would take all the ability they have to float GO bonds. If these communities could have the full faith and credit of the state behind them, it would help a lot.

Mr. Coxson asked Mr. Gallagher how prioritizing will be done when there are more requests than there is money. Will decisions be based on size? credit rating? Commissioner Gallagher said that the criteria is set in the bill; schools first, then environmental. Mr. Malone said that he thinks they can go behind that to say there has to be some kind of idea as to policy about who gets available funding; those who need it most because of financing or because of projects, money, whatever. A policy decision should be made.

In response to comment by Mr. Dupere, Mr. Malone said that his only concern with the bill is that it seems to him that the bond bank bill is designed to help "middle America"; but his concerns go to communities that are in desparate situations and he wonders if the way to get to them is through this bill. Mr. Haugen said that the Alaska Municipal League stands solidly behind this bill and he did not think that should be ignored -- nor should the interest of many

legislators and communities throughout the state.

HB 72

Mr. Duncan said that Mr. Gallagher has said that they already have the mechanism to help the smaller communities. He asked the Chairman if he was not agreeing with that. Mr. Malone read from AS 37.10.079 in which it states:

(a) Notwithstanding the provisions of any other law, when the commissioner of revenue determines that there are funds in the state treasury above an amount sufficient to meet current demands, up to \$18,365,000 of them may be used to invest in general obligation bonds of political subdivision of the state which meet the standards described in (b) of this section."

Mr. Malone said that he does not know how active this authorization has been in the past. The statute goes on to say in (c) that "The purchase price for the bonds shall be their market value which is the price the commissioner of revenue determines most nearly equals the price the bonds would bear at the time of purchase if the bonds could then be delivered with the approving opinions...provided, that this price shall not cause the effective interest rate on any of these bonds to exceed seven and one-half per cent per year." The statute continues to list the things the commissioner may do as far as reselling the bonds. Mr. Haugen asked if there is \$18 1/2 million in that fund. Mr. Malone said that it says when "there are funds in the state treasury above an amount sufficient to meet current demands". Mr. Gallagher said that they do have three or four loans under that, of which one community has defaulted on its bonds.

Mr. Cowper felt that interest in the bill is such that the committee ought to send it out of committee. He said that he personally cannot vote "do pass" as it stands. He said that no one has persuaded him that the business of giving preference to cities that are losing their primary employment is viable. However, he said that maybe the House will feel otherwise. Mr. Gallagher said that he would have no objection to that language being deleted. Mr. Cowper said that as he understands it, that language was to a large extent, meant for Juneau. Mr. Duncan said that he is not quite sure what the real problem with that language is. He said that it doesn't bother him but he doesn't know that it is that critical. Mr. Cowper said that he is not sure that a bond bank is needed, anyway -- but if the bond bank is going to give preference to communities who do not have any business floating bonds in the first place, he feels that this should be taken care of by some mechanism other than conventional bond procedures. Mr. Duncan said that he didn't feel the bill was saying that. Somewhere in the bill it says that the project has to be financially feasible and communities have to be able to get a rating. Mr. Cowper said that the bill does not require that the communities be economically feasible.

Mr. Haugen made reference to HB 705 of last year and the problems that Petersburg is having with their school construction bonds. (The authorization was passed last year but the money did not come through.) Mr. Gallagher said that what passed last year was a modified bond bank, only it was just for schools. Mr. Haugen asked if this is as good a vehicle as HB 705 and Mr. Gallagher said yes. Mr. Malone said that what the bill did was provide for home rule cities. He said that maybe it is a bond bank and maybe it is not. What it really does is establish a guarantee fund to provide that home rule cities when they sell bonds will be able to sell them at a reasonable rate and it also provides the bondholders with some assurance, too. He said that he doesn't think the bill HB 705 is tied in with this issue. Mr. Haugen said that he just wanted to know if the Petersburg situation will be taken care of. If the bond bank will take care of it, fine; if not, he wanted to know. HB 72

Mr. Cowper continued with some of his questions about the bill. He said that for one thing, it has not been shown to his satisfaction that those communities who would be helped can't do pretty well on the open market anyway. Secondly, he said that it seems to him that the state ought to, as a policy matter, encourage municipalities to engage in fiscal responsibility and do their own accounting and things of that nature and he doesn't think that this kind of legislation encourages that. If the state wants to take over things like schools maybe they should be really separate; maybe the bill should specify school bonds, because the state is under a duty to provide the citizens of the state with an education and he supposed that means school buildings. He said that he just doesn't think the state ought to get into a position where it is in essence getting behind bond issues that are just not financially feasible and are sloppily put together. Mr. Duncan said that he understood from the meeting Saturday that sloppily put together and financial unfeasible issues would not get to the market. Mr. Cowper asked who says that; the present commissioner of Revenue will not always be filling that position and another commissioner might let sloppy bonds out. Mr. Gallagher pointed out that the market is a check here; in the draft, however, there is no check. Mr. Cowper feared that for political reasons, the bond bank committee might vote for a three year reserve fund on a particular project. That can happen under the bill. Mr. Duncan said that his point is, suppose the committee does do that, there is still the check of the bond buyers. Mr. Cowper said that he just thinks the state could allocate enough reserve to a given bond issue to make it palatable to almost anybody. In response to comment by Mr. Gallagher, Mr. Cowper said that he is not talking about the obvious "losers"; he is talking about the marginal communities. A marginal community could be included in a package of solid bond issues. Mr. Miller said that the other communities involved would complain. Mr. Gallagher agreed, and said that the other cities could refuse to participate if they felt it would not be advantageous to be associated with a marginal issue.

There was discussion on where the committee wanted to go with the bill. The Chairman noted that 8 hours have already been spent going over the bill and he was reluctant to devote time past tonight for further study. He inquired as to committee interest. Both Messrs. Duncan and Haugen had a definite interest in the bill. HB 72

Mr. Cowper moved to amend page 14, beginning with line 3, by striking the language following the word "preference" and extending through the word "and" on line 6. Mr. Haugen asked if his reason for this was just because he was afraid that Juneau is going to be in this position. Mr. Cowper said no. He said that he has said several times, in fact, that he thinks Juneau should be given some kind of economic benefits or impact money if the capital moves. However, he does not feel that there should be a provision for "dying towns" in this bill. Mr. Miller pointed out that Juneau is in no way going to be a "dying town" and he felt that cutting out this clause will not only relate to Juneau but also to Ketchikan if anything happens temporarily to their pulp mill, and such situations as that. It would have been a big help to Fairbanks a few years ago when Ladd Field was closing. MOTION

Mr. Malone said that if the language is deleted it would simply refer back to Chapter 5. Mr. Cowper said that that will provide for temporary situations. The language on page 14 does not specify cases of temporary dislocation. He saw it as a mandate for fiscal irresponsibility. Question was called, and on vote, motion carried, 3-2, Messrs. Haugen and Duncan not concurring.

Mr. Malone said that if it is the committee's intent to report out the bill, he felt that language should be inserted requiring that the directors be subject to the provisions of the state financial disclosure law. Mr. Duncan moved to include that provision. No objection, so MOTION ordered.

Mr. Malone referred to page 5 under Conflict of Interest. He felt that the sentences from lines 19 to 22 should be struck. He felt they were confusing and unnecessary. Mr. Duncan asked if without this, the people employed in the government of the state or a political subdivision or employed or interested in a private banking or financial enterprise would be disqualified. Mr. Gallagher said yes. Mr. Malone said that he didn't think that would be true. Mr. Cowper said that he felt it was important enough to have a board like this composed of qualified people that he felt it wouldn't hurt to leave it in.

Mr. Malone referred to page nine, Sec. 120 - Annual Budget. He said that he has a concern about agencies with as much as a \$150 million budget not having some kind of legislative overview. Mr. Dupere commented that no separate corporations go through the legislature. Mr. Gallagher thought it would be subject to the legislature. Mr. Hogan said that the easiest thing to do would be to add one sentence stating that the agency shall prepare an annual budget in compliance

with the Executive Budget Act. Mr. Malone said that if there was language to that effect, perhaps secs. (a) and (b) would not be necessary. Mr. Duncan moved to delete all of (a) and (b) under sec. 120, and to insert instead "The bond bank authority shall prepare and submit an annual budget in accordance with the provisions of the Executive Budget Act (AS 37.07)". No objection, so ordered.

HB 72

MOTION

Mr. Malone referred to page 3, section (3) beginning with line 2. He said that he had asked Mr. Gallagher to square that with a fiscal note. Mr. Gallagher said that he was requested to come back with a new budget and since that has been struck from the bill, he would also like to come back with a lower fiscal note. Mr. Malone said that his point is about the \$50,000 in 1975 and the continuing costs in future years; if it is not a subsidy, which (3) says it is not, then what is it? Mr. Gallagher said that the biggest part of the budget that may be involved is an audit and he said that he could certainly see that being performed by the state. The other part is travel for the executive director. That would be involved in the cost factor to the municipality. He repeated that he would like to come in with a lower fiscal note.

Mr. Hogan suggested that the committee consider on page 9, line 8, where the report is to be filed with the commissioner of revenue, that they have it filed also with the Budget and Audit Committee. Mr. Haugen suggested with the legislature. Mr. Cowper moved and asked unanimous consent that following the word "revenue" on line 8, that the period be deleted and the words "and the legislature" be inserted. No objection, so ordered.

MOTION

Mr. Malone said that there was question about the books and meetings of the authority being open. He asked if they were, and Mr. Gallagher said yes. Mr. Cowper asked where it says that. Mr. Gallagher said that under the Administrative Act, all records are open to public perusal.

Mr. Hogan suggested that on page 26, line 10, the word "provided" be changed to "appropriated". It was so moved, and there being no objection, it was so ordered.

MOTION

Returning to the earlier topic, Mr. Malone asked if the authority would be subject to the Administrative Procedures Act. Mr. Gallagher said that he thought it would be automatic because it is a public agency. Mr. Malone suggested that there be a new section on page 28 (sec. 3 to be renumbered to sec. 4) stating that the Alaska bond bank authority is subject to the authority of the Alaska Administrative Procedures Act. Mr. Cowper so moved. Mr. Gallagher said that he would like to be able to review those provisions to be sure that there is nothing that would slow down the speed of selling bonds. Mr. Malone said that he feels very strongly that there should be some kind of provision in the law to be sure these records, minutes,

MOTION

etcetera, are open to the public. Suggestion was made that there be a new section, 44.58.415, and that it read "All meetings, books, and other records of the Alaska bond bank authority shall be open to public inspection. Copies of any records will be provided at a reasonable cost to any persons making a request for those records."

Mr. Cowper withdrew his motion and moved for adoption of the above language. No objection, so ordered. [NOTE: this language is now being rewritten by Legislative Affairs personnel to refer to the Open Meeting law.] WITHDRAWN
MOTION

Mr. Guy referred to page 17 (19) and asked for clarification on that section. Mr. Gallagher said that the agreement with bond holders as to how to handle the expenses in case of a default is what is referred to here.

Mr. Guy brought up the point he had brought up at the 4/7/75 meeting as to the statement recorded in the minutes of the Saturday meeting (4/5/75) to the effect that "many second class cities would not be eligible to participate in the program". Mr. Gallagher said that three people could form a second class city; a city would have to go through the act of getting themselves bonded. The bill doesn't say that they couldn't do it. They are under the same situation they are now. Mr. Guy said that having read the minutes and listened to the testimony tonight, he was beginning to feel that this proposed bill is going to make the rich richer and the poor poorer. Mr. Gallagher said that the bill will take care of second class cities. Mr. Malone asked which ones. Mr. Gallagher said the ones who can qualify; the ones who are eligible. Mr. Malone referred to a list of communities attached to a memo from Mr. Gallagher to Mr. Rhode. He said that to him the relationship between the list and the bill is somewhat tenuous. Those listed which are second class include Barrow, Hoonah, Kotzebue, and Bethel, Mr. Dupere said. He was not sure about Pelican and Klawock. Mr. Haugen asked what the reason for taking a second class designation is. Mr. Dupere said population size. Also, first class has to assume school district function.

Mr. Duncan recommended that the committee take a look at the amendments proposed by the Community and Regional Affairs Committee. Amendment #1 reads: On page 21, line 23, after the word "legislature" delete the word "shall" and insert "may"; On page 21, line 25, after the word "governor" insert the words "and to the chairmen of the House and Senate Finance Committees"; On page 21, line 27, after the word "January" delete "2" and insert "30"; On page 21, line 28, after the word "governor", insert the words "and to the chairmen of the House and Senate Finance Committees". Amendment #2 is on page 22, lines 6,7,8 and 9, delete the words "however, at the end of each fiscal year any amount representing earnings or income received on account of money appropriated to the reserve fund shall be transferred to the general fund." and insert the words "subject to the terms of any act appropriating money to the reserve fund."

Mr. Dupere raised a question on page 22, line 9. He wondered what HB 72 general fund they were referring to. Mr. Malone said that no place in the bill does it say what general fund means. He, too, asked if they are talking about the general fund of the state or of the authority. He asked where the distinction is made. Mr. Miller said that he was certain the intent was the general fund of the state. He suggested adding the words "of the state" to follow "general fund". It was so moved, and the motion carried without objection. MOTION
Mr. Gallagher said that that took care of any problem in that section.

Mr. Duncan moved the following amendments: On page 21, line 23, after the word "legislature" delete the word "shall" and insert "may"; on page 21, line 25, after the word "governor" insert the words "and to the legislature"; on page 21, line 27, after the word "January" delete "2" and insert "30"; on page 21, line 28, after the word "governor", insert the words "and to the legislature"; on page 22, line 1, delete "shall" and insert "may". There being no objection, it was so ordered. MOTION

Mr. Malone inquired about the relationship between secs. (b) on page 20 and (h) on page 22. Mr. Rhode said that he, too, had been puzzled about that. Each is defined in terms of the other. It is finally resolved, however, by language at the end of (b) "as provided by resolution of the bond bank authority".

Mr. Haugen moved that the amendments be incorporated into a committee substitute and that the committee substitute be reported out of committee. Mr. Guy objected. On vote, motion carried 4-1, Mr. Guy not concurring. Majority report on the bill was "no recommendation"; not concurring were Messrs. Haugen and Duncan who signed "do pass". The Chairman announced that the bill would be held pending preparation of the committee substitute and in order that members not present could examine the committee substitute and sign the bill report. MOTION

HOUSE BILL 73 (Bond Bank appropriation) was brought up for consideration. The Community and Regional Affairs amendments were examined. One of these is to change the figure \$2,665,000 to \$4,445,000. Mr. Gallagher explained that that is based on 30 year bonds at 8% on \$50 million. HB 73

The second amendment is on line 11 and is so that this will be a one time, lump sum appropriation until the authority or existence of the fund is removed.

Mr. Gallagher and Mr. Duncan both commented that the third amendment is taken care of in the other bill (HB 72).

Motion was made on line 10 to change the figure \$2,665,000 to \$4,445,000; and to delete the existing section 2 and renumber section three accordingly. Messrs. Guy and Cowper objected. Following MOTION

brief discussion, question was called and on vote, motion carried
3-2, Messrs. Cowper and Guy dissenting. Motion was made to
report a committee substitute incorporating these amendments out
of committee. Objection was heard. On vote, motion carried, 3-2,
Messrs. Cowper and Guy not concurring. The chairman announced that
the same procedure would be followed as with HB 72 as to waiting
for other committee members to sign the bill report.

HB 73

MOTION

Meeting adjourned at 11:30 p.m.

ADJOURNE

HOUSE FINANCE COMMITTEE
Thursday, April 10, 1975
2:30 p.m.

All members were present. Chairman Malone called the meeting **PRESENT** to order. He stated that HOUSE BILL 72 (Bond Bank) was reported HB 72 out of committee at the night of April 8, with a committee substitute replacing the original bill. Some of the changes were briefly discussed.

There was discussion on the committee policy of reporting out bills without all members being present. Mr. Duncan said that he had no objection, but he had understood the Chairman to say that the policy would be that all members would be present for final action on important bills. Mr. Malone said that he would honor specific requests to hold bills until a member could be present but as policy could not always wait for a full committee for action. He said that HB 72 has not been sent to the Chief Clerk's office and is still in the hands of the committee.

Mr. Malone said that his idea is that when a bill report is signed, that is final action. In this particular case, because of specific requests they were holding the bill over so other members could sign. Also he said that there was apparently an understanding on the part of some members that no final action would not be taken at the night meeting. He said that since there was a misunderstanding he thought that in this case the members should sign the bill report as they choose and if the majority recommendation is changed, a new bill report will be made.

Mr. Gruening said that he has no wish to tie the bill up any longer especially if people want it moved out. He just wanted a chance to make his recommendation.

Mr. Cowper said that he made the motion Tuesday night and as far as he is concerned, it is out of committee. He did think other people not present ought to be allowed to sign the bill report.

Mr. Malone repeated that as general policy, when final action is taken on a bill to send it out, then it is out. Other members may sign the bill report.

Ms. Itta commented that she had understood it was a work session. She would have stayed had she known final action was to be taken.

Mr. Duncan said that he disagreed with the whole policy. He said that he thinks if members cannot be present because they are doing something else and miss signing the report, that is their "tough luck", unless other arrangements are made. He felt that individual members would have to set their priorities.

No further discussion, so members signed the bill report, which remained a majority report of "no recommendation", Messrs. Haugen and Duncan being the only "do pass" recommendations.

Meeting adjourned at 2:50 p.m.

ADJOURNED

Mr. Van Houte noted that currently the state had an amount of its money in unliquid assets, and suggested it might be conceivable that those assets could be transferred to the retirement system without fiscal impact or cash transfer.

HB 64

Mr. Gates commented with regard to Mr. Collin's remarks, saying that a person disabled at age 55 would not have to wait ten years before receiving benefits. The Bill says that at age 55 or normal retirement a person would go on regular benefits. The only impact would be some tax consequences; he did not feel a disabled person should be entitled to more than he earned.

He explained to Mr. Gruening that the federal funding was for projects they may be providing. The "other contributions" in the fiscal note were primarily concerned in the area of the University of Alaska which has other non-general fund monies.

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

RECESS

AFTER RECESS
12:05 p.m.

House Bills 121 and 198, dealing with military credit in the system and House Bills 83 and 303 dealing with cost of living adjustments were considered at this time.

HB 12
HB 19
HB 83
HB 30

Mr. Gates made general remarks to the two subjects. HB 198 would provide for credit of up to five years of active military service; and an indebtedness amount for the service would be established. HB 121 provides essentially the same type of thing; there is no connection to employment. In the past teachers have been able to purchase service but were restricted; this will provide uniformity in the method of payment and there are only administrative costs in that bill.

The fiscal note for HB 198 indicates the cost for FY 76 to be \$280,000 in benefits and budgetable amounts out of PERS budget in the amount of \$37,000 for administrative expenses which includes some modifications to the computer processing. He noted that the cost figure is right, but the funding source is not correct and should be a total of \$280,000 from the general fund plus \$37,000 from the PERS fund.

HB 19

Responding to Mr. Haugen, Mr. Gates said this credit for service could be applied to HB 64 as it is presently written.

House Bills 82 and 303 recognize that in fact inflation is a serious problem with persons on retirement, most often with those who are already retired. This would mandatorily require an adjustment to both systems which would be tied to the Anchorage Consumer Index. For people going onto retirement their current wages take into consideration cost of living increases for the most part. The benefits earned at that time would retain their current purchasing power over the future years.

The costs to the state for the bills: House Bill 83 for FY 76 is \$5.8 million; House Bill 303 is \$5.72 million.

4/12/75

require this to be done every three years. Even with the time lag no significant problems were foreseen because the actuary looks at the trend over a thirty-forty year span.

HB 64

(Mr. Haugen re-entered the meeting).

Answering Mr. Gruening's suggestion that not funding at the rate in the fiscal note might be actuarially unsound; Mr. Gates agreed there were short term aberrations that occurred in any area besides retention. The people who leave are replaced and begin accruing service; unless it were to become a permanent trend, there is no reason to make an actuarial change. He felt the pipeline will have a very short term effect on the overall plan.

Their present method of funding is well within the federal requirements; they are phased in with current federal legislation. The Attorney General has given his opinion that changing the method of funding raises serious constitutional questions. By deferring funding now the tax burden is shifted to a future generation, as in social security. If the benefits are accruing during a given time, the administration feels the benefits should be recognized and liabilities be recognized on an amortized basis to be sure there are sufficient funds for everyone accruing.

If changing the method of funding is appropriate, then the next step would be to appropriate for the entire system. Alaska has a well funded system and good benefits, and they support the idea that the funding be recognized as the benefits are accruing.

Everyone sets his own benefits through contributions and service; the contributions are most often returned during the first eighteen or twenty years of retirement. Annual benefits of \$10,000 over an eighteen year period is a large amount and frequently it isn't recognized just how expensive it is. Reserves must be generated. This retirement system is comparatively "young", and the retired number is increasing about 25-30% every year because the system is beginning to "mature."

Mr. Hogen posed this question: Suppose in the years FY 76 and FY 77 the Legislature included no funding for the state contribution to PERS and instead the Department of Administration prepared an arrears statement to include interest that would have been earned in the system. Mr. Gates questioned whether it would be appropriate for the state alone to do this and not afford the same opportunities to political subdivisions. This is suggesting a no-pay system for two years. He would have strong concerns about this and would suggest getting an opinion from the Attorney General as to whether this would be a violation of the constitution and have to be contested in the courts.

Mr. Hogan asked what the effect on the financial stability of the system would be in FY 78; Mr. Gates said both the administration and the actuary would be opposed to such a funding concept. He clarified further that not only is the funding being deferred, it still has to be funded by the time a group of people retire. A liability is being created throughout the time and there is nothing to offset it and there would be multiple impacts.

The inclusion of retirement as part of the collective bargaining was discussed by Mr. Bowman and Mr. Stevens. Mr. Malone, referring to the administration "supporting reasonable improvement" noted that he had only heard neutrality so far and would contact them. HB 64

Ms. Rose Palmquist, Southeast Business Representative of Tri-Trades appeared in support of HB 64 saying it was needed as an interim measure. She reported the state to be losing many of their people who can receive better retirement through private industry. It is obvious that the state retirement program is inadequate and should be improved. Tri-Trades has the general policy that they would prefer to bargain for health conditions and retirement; however the option has never been presented. Tri-Trades goes into negotiations tomorrow and would prefer to go in with HB 64 safely provided for. Mr. Cowper asked what was meant by an interim measure; Ms. Palmquist felt it was necessary because the problem is faced on when to go to the Legislature and when to go to management.

Bernard Fredett, an APEA member from Juneau, said he was in total contact with employees of the Department of Revenue. They are trying to get the employees to ratify the agreement, and the major topic is the retirement improvement. His department is very much involved with this plan and letters of support have been sent to the Committee through their local representative. They endorse HB 64.

Bob Collins, Chairman of the Ketchikan APEA, said his chapter supports the two bills. At the convention last October one of the overriding concerns was that an adequate retirement plan be sought so members can retire and stay in the state of Alaska. He mentioned increasing needs, and decreasing income of retired persons. He believed there were some savings to lowering the disability and retirement age. He asked Mr. Gates if there were actuarial figures that showed the savings. Mr. Gates replied that that had been taken into consideration in the total cost of the bill. Mr. Collins informed the Committee that APEA doesn't have access to the actuaries employed by the PERS and their information has to come through one of the Legislature. He felt more intelligent action could be made with some contact available. Regarding the disability retirement; he expressed concern about lowering the age because if a person were disabled and retired at age 55, that leaves 10 years to live on Social Security disability alone and group insurance only goes 12 months after the time of total disability.

Robert Anderson, PERS Board member and State employee, said he was not representing the board which did not take a position at the time of their last meeting, but only reviewed the bills and had them explained. The passage of this Bill could have an immediate impact: he is approaching 30 years of service with the state; there are only 78 people who have over 20 years service. As of December 1973 there were a total of 16,390 employees with only 3,407 having over five years service; 1,487 who were over the age of 55. Mr. Anderson said the fiscal note is based on 1973 figures.

(Mr. Haugen left the meeting).

Mr. Gates reported an ongoing actuarial review; in October the rate is set for July--there is an 18 month time lag and statutes

He said the retirement plan has been a key to selling the contract in Anchorage. He urged approval of this Bill.

SSHB 64

Millie Lasich, an employee of the Telephone Utility in her 25th year said she was anxious for the bill to pass. The \$7.5 million does sound like a lot of money, but employees are not staying because of the thirty years and age 60 requirement. She urged support of the bill which would be appreciated by many of them.

Fern Kleghorn, an employee of the Department of Highways for almost fifteen years, noted the salary savings to the state over a five year period. There are twenty-five people who fall into the age 55; if a person at step D was replaced with a person at step A, the savings is over \$300,000 in a five year period. This doesn't consider Tri-Trades employees. Copies of her study were made for the committee and the Bill file.

Michael Murray, a fourteen year employee of the state was one of the General Government negotiators and represented the Southeast members in the last contract negotiation. Regarding Article XXXVI of the contract, they took the position that they did not want to bargain for health benefits for just one unit; they wanted to see all employees on the same program. They took the same stand on the retirement program; they did not want a different program for different employees. Retirement was one item of the final package, and the Governor agreed to "support reasonable improvements in the retirement program" at the last minute.

Ms. Buchholdt brought up the subject of wages and salaries being separated as a bargaining item. Mr. Murray could see that point of view, but if one unit got those benefits, all units would eventually. He told Mr. Gruening that HB 64 wasn't discussed at the negotiations; retirement was a very important issue this time but it might be health next time--negotiations are a very adversary situation. His impression was that the Governor would neither support nor oppose HB 64 at that time because he didn't know in what form it would reach his desk. They did take the administration on good faith and if the Legislation doesn't pass it will be in the contract next time.

Robert Stephen, Executive Director, APEA, summarized and gave the history of this Bill. He said a good hard look would be taken at the prospect of removing benefits and benefit packages from the bargaining table. There are two schools of thought on that. During last negotiation there was testimony presented on health and life insurance and retirement. It was mentioned at that time that it would be very hard to change those two programs for particular interest groups. It is binding them to a system that involves several groups. One idea was to form a council of all labor representatives and discuss it as a body. Ground rules would have to be set as to whether this body would have any authority or not.

Mr. Stephen noted that approximately \$12 million was "left" on the table, and it is not expected that they will recover the 7% increase for the last year. They expect this retirement bill to recover part of the loss; they are definitely in favor of and see the need for this Bill.

On employee contributions; Mr. Gates said each separately participating employee has a separate base service liability rate which is added to the normal rate; each employer pays a current rate based on the membership data. SSHB 64

Mr. Bowman, the prime sponsor of SSHB 64, informed the Committee that his interest developed during the campaign when so many people approached him about problems of retirement. It has been being piece-mealed every year and he felt strongly it was time the state revised the entire retirement bill. He has a bill he will introduce toward that end.

When this Bill was in the House State Affairs Committee, Mr. Warwick testified that in the negotiations with certain segments, he had excluded retirement from the bargaining table. Mr. Bowman suggested looking strongly at the whole negotiation picture and perhaps finding a way of excluding all the fringe benefits from that and putting them into the Legislature. This would center negotiations around wages and salaries only. He felt the employee and the Legislature were being whipsawed back and forth.

This bill is an attempt to help those employees who are reaching that point in time when seeking to retire.

Mr. Miller said he had come only as an observer, but supported the bill "wholeheartedly."

Mr. Malone read Article XXVI from the General Government contract negotiated by the Alaska Public Employees Association and the State of Alaska, April 3, 1975: "The Administration will support reasonable improvement in the Public Employees Retirement System." He commented that this was not very definitive. Mr. Bowman replied that if the Bill passes the Legislature, the Governor will then determine what is reasonable--that is as definitive as he could make it.

The meeting was recessed at 10:12 a.m.

RECESS

AFTER RECESS
10:25 a.m.

Mr. Mourant, State President of APEA, and a state employee for the Department of Highways for the last thirteen years testified that APEA consisted of approximately 7,000 state employees and 2,000 city employees in 15 chapters throughout the State. He said the employees really want this Bill to pass.

Mr. Mark Sollenberger, President of the Anchorage Municipal Employees Association, stated he was nine years vested in the plan. He talked about the plan and why they wanted it, saying it was to subsidize Social Security; and is a portable plan for employees. He noted the rate structure was different but the contribution standard. He listed the various employers who were presently contributing under the organization. This was made a campaign issue. They were pressing for twenty-year service, and age 55 retirement and felt this will be effective in retaining people in public employment. Regarding negotiations and the current contract; there are a number of questions on whether it's negotiable or not and

benefit formula would be changed from the current 2% for all years of service, to a split formula; (3) change the normal retirement age from 65 to 60 years of age; (4) change of the normal retirement from thirty years with no age requirement to twenty years. ; (5) under disability, the age would be changed from 60 to 55.

HB 64

The fiscal impact for FY 76 would be an increase on the employer of approximately \$7.4 million or 5.12%. The fiscal note shows 5.32% which is in error. This accounted for the different figure Mr. Gruening got in his calculations.

Referring to Section 1, in the March 17, 1975 letter to Mr. Bowman, Mr. Gates explained to Mr. Cowper, the employee dollar is refundable and is not given the same value as the employer dollar.

The \$12,000 in contractual services is primarily due to modifications in the data processing systems.

In answer to Mr. Cowper, Mr. Gates said the federal contributions are assumed to be approximately 17%; they are working with the total payroll in the state. Mr. Hogan added that the federal government generally honors state wage and pay scales and additional money is supplied to keep their workers on a parity with the state. The fiscal note is prepared to reflect the funds required on the part of the employer. The employee contributes less.

(Mr. Naughton entered the meeting.

In Section 3 of the March 17 letter, Mr. Gates explained the 1.08 to be an actuarial calculation using the existing data base, and is a complex formula which he could not provide at this time. The rate is based on early retirement with all people; any additional years work mean additional contributions go in and additional benefits are paid. Of 100 people, the actuary assumes only about 15, or 8% will ultimately receive benefits. The employee usually withdraws his money if he doesn't stay to retirement. It definitely is a trust fund; the monies are held by the fund and not returned to the employer.

Mr. Gruening, referring to Section 7 of the letter asked if there is the assumption that all employee will remain on for twenty years of service or until age 55; Mr. Gates answered that the actuarial assumption considers the known data on a group of individuals; whatever combination it may be; that a person will retire at his earliest normal retirement date. He reported that an annual evaluation is made each, but it is an assumption and can only be confirmed by actual numbers.

Of every newly hired employee, 90% will be gone by the fifth year; however, he may go to work for the city which is under the same system and in one year he could vest. Mr. Gates said the cost of the employees benefit is shared by all employers, not picked up by the final employer. Employers do not make contributions on an individual specifically. Employer contributions cover current costs and unfunded liability costs, i.e., an individual already on retirement: his cost contribution wasn't made for them but a liability is established. This is amortized over a 40 year period.

HOUSE FINANCE COMMITTEE

Saturday, April 12, 1975

9:20 a.m.

All members of the Committee were present with the exception of Mr. Guy; Ms. Itta and Mr. Naughton arrived later.

PRESENT

Others attending the meeting were:

Robert E. Stephen, Executive Director, APEA
Robert R. Mourant, State President, APEA
Michael J. Murray, Member APEA
Mark A. Sollenberger, Anchorage Munic. Emp. Assn., APEA
Fern Cleghorn, APEA, Anchorage
Bernard Fredette, American Legion and APEA
Bob Collins, Ketchikan APEA
Floyd Johnson, APEA
Harry W. McLaughlin, State Employee
Robert L. Anderson, PERS Board and State Employee
Stanley D. Swanson, Dept of Fish and Game
Millie Lazich, Anchorage Telephone Utility
Rose Palmquist S.E. Business Rep., Tri-Trades
Louis F. Fiorella, V.F.W.
Robert S. Gates, Director of Retirement
Bob Van Houte, NEA-Alaska
Rep. Willard Bowman
Rep. Mike Miller
Rep. "Red" Swanson
Rep. Charles Parr, sponsor HB 83

Staff members: Jay Hogen, Director and Bob Grogan, Fiscal Analyst for Legislative Finance; and Jim Rhode, Assistant to Mr. Malone.

The meeting was called to order to first consider House Concurrent Resolution 31. Mr. Bowman, prime sponsor said he was not aware of the fiscal note, but presumed it was the Attorney General's request for funds to appear at hearings. The Resolution doesn't address these hearings, but is the Legislative position regarding a Transalaska Gas Pipeline. It more or less goes along with the two bills passed last week, the Gas Pipeline Committee and the appropriation for that Committee. Over \$100,000 was spent for the last Attorney General's travel and setting up the office, and Mr. Bowman didn't know why this fiscal note was attached to HCR 31. He also hoped there could be Legislators at these hearings.

HCR 31

Mr. Haugen felt it was very important to pass the Resolution; he moved and asked unanimous consent to report HCR 31 out of Committee with a "Do Pass" recommendation; there was no objection and it was so ordered.

MOTION

Motion
Carried

Beginning the retirement legislation in committee was HB 64, "An Act relating to the public employees' retirement system."

HB 64

Mr. Gates commented on the changes this would provide for in the current retirement system as it effects persons other than peace officers and firemen: (1) the employee contribution rate would be increased to have a uniform contribution rate for all; (2) the

This is using a 4% annual inflation assumption which is an optimistic figure for the last twenty years. Mr. Gates was thanked for his testimony and left to keep a prior appointment.

HB 121
HB 198
HB 83
HB 303

The Chairman asked for further testimony on HB 198 and HB 121 from other persons at the meeting.

Bernard Fredette, speaking for the American Legion, regarding HB 198, said a resolution was passed with unanimous consent at their convention, stating they would like to see bills allowing military credit to retirement passed. He noted that a great many state workers have some form of veteran credit; 27 of their local members are employed by the state. They support 100% the passage of this bill.

Louis Fiorella, VFW, spoke on behalf of HB 198. He noted that HB 238 last year which would have included honorable war-time military service in computing retirement benefits failed, while a similar bill, granting service-time toward retirement for teachers passed and became law. Last February their Council of Administration went on record supporting HB 198, by unanimously passing Resolution No. 75-3. He read the resolved clause: "BE IT RESOLVED by the Veterans of Foreign Wars, Department of Alaska, that we endorse the concept of credit for time spent in the military in computing retirement benefits after the veteran employee of the State has become vested in the retirement program." (See bill file for Mr. Fiorella's complete written statement).

Ms. Palmquist testified in favor of the Bill requesting that the legislature pass HB 198; Mr. Van Houte, NEA-Alaska, pointed out that the present law allows teachers credit as related to training as teachers; that the cost would be virtually none, because the teacher pays the contribution. Mr. Floyd Johnson, Juneau Chapter of APEA, said the concept for retirement credit for military service was endorsed by resolution.

Mr. Robert Anderson, PERS Board member and State employee, said he would like to see the Bill pass, but pointed out that they would be paying a premium price to buy-in service time. This is a transitional problem because in future years the option will be offered to buy in at the current salaries. He handed out figures he had computed illustrating his point. Discussing this it was found the Bill picks up the language in the current law for computation of benefits to determine the indebtedness; that any modification would have some effect on the fiscal note, but as Mr. Malone noted the increase would probably be small, maybe 2% to the state.

Regarding HB 303, Post retirement pension adjustment, Mr. Anderson spoke on behalf of the PERS Board saying the present statute is very inoperative and unequitable. Presently the Board only has the option of adopting or not adopting the recommendation of the Commissioner of Administration. He believed the legislation would address the problem.

Mr. Van Houte gave his support for this adjustment; teachers feel concern for those already retired and being whittled away by the cost of living. He felt both pieces of legislation were good concepts in order to maintain the purchasing power of retired people. It is a benefit for all employed people in the long run.

Mr. Parr, the prime sponsor of HB 83 noted the average retired teacher received \$600-700 per month and according to the Bureau of Labor Statistics, the cost of living in Anchorage went up almost 1/7 and Fairbanks has been higher than Anchorage. Considering the critical financial position of the state, Mr. Parr said if this Bill was not deemed as a sufficiently high priority item, the Finance Committee might consider a substitute to give an adjustment for the forth coming year only and not build it into the fund. This would be \$350,000 to \$400,000, instead of the \$5+million. There are presently 563 retired teachers.

HB 83

After a brief discussion, the meeting was recessed at 12:50 p.m.

RECESS

AFTER RECESS

1:55 p.m.

All members were present. Also present were Representatives PRESENT
Bowman and Davis; Mr. Everett W. Gibbs, Coordinator of the North-
west Extension Center of the University of Alaska; members of
staff and press.

Chairman Malone called the meeting back to order. First item HB 357
on the agenda for afternoon was HOUSE BILL 357 (Appropriation
for Nome Community College). This would provide funding through
June 30, 1976. Mr. Malone invited Mr. Davis, sponsor of the
bill, to testify. Mr. Davis said that at this time he would turn
the presentation over to Mr. Gibbs, Coordinator of the Northwest
Extension Center.

Mr. Gibbs said that he went to Nome a couple years ago. He was recruited with the idea of a community college in Nome; he found that he was running an extension center, which was all right but he soon learned that they really had no autonomy. He talked to the people, wondering how they felt about this, and found that they had felt they were voting for a community college when they voted. It has not developed into that. As a result, Fairbanks tries to run the operation. As a move toward greater autonomy, they in Nome have come up with a feasibility study as a first step. Copies of that study have been distributed. The study was completed toward the end of February, and mailed air mail, special delivery to Doctor Hiatt. The Chairman of the Nome Advisory Committee has still received no response. They did get a note from his secretary three weeks after they had sent it stating that it had been received. All that needs to be done under the law is for the local school district and the University with the Board of Regents' approval to sign an agreement to have a community college operation. Therefore it seems almost negligent on someone's part that a bill had to be drawn to bring this to anyone's attention. Last year's budget was \$116,000 for Nome. This year's budget is the same. There was no input from the Nome operation as to what is needed. No real consideration was given as to the growth that they have made. He gave some figures on what they have done this year. They had a 314 headcount enrollment taking credit courses; they offered 61 credits; they have had 150 different students taking those; in addition, 39 students were in non-credit courses. With the Kawerak Fly-in program they have still more involved -- a total of 680 students involved in adult education in the area. They have had to hire part-time staff to fly in from Fairbanks and that is a less desirable kind of education to be offering. They have had a hard time coordinating getting staff members. He said that he doesn't think it is going to cost any more to have permanent staff people than to fly them in from Fairbanks.

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He said that if they get community college status, he knows that there is \$620,000 in SOS and BIA and Kawerak monies that will be put into the operation. They need autonomy there to get programs going into the villages. They have been innovative and they just find that without some autonomy there is no room for growth. Figures on the money that would come in are: BIA has said they can get \$150,000 for them in vocational and adult education; SOS will get \$120,000 in native-related and paraprofessional programs; Kawerak through Title III and IV figures it would provide at least \$350,000. That is almost based on the kinds of programs they have going now. This bill asks for a little bit more money than what Fairbanks has figured for them. He said that he questioned the administration of the U of A about never contacting them about the budget, and he was told that the legislature had set the figure, saying that there would be no growth. He said that he thinks that was an irresponsible remark. They have been growing in Nome and from what he understands, the Anchorage senior college has grown enough such that they feel they can buy AMU, hire a staff of 42 people, despite the fact that newspaper articles point out that the student body has gone down. If that can be done, he thought it seemed that something could be done in Nome.

HB 357

Mr. Malone requested Mr. Gibbs to go over the status in Nome. Mr. Gibbs said that it is now an extension center. Mr. Malone asked if it is correct that their budget has been arbitrarily set at last year's figure for the request for next year, and Mr. Gibbs said yes. Mr. Malone asked if the \$275,000 request in HB 357 would be in addition to or instead of that \$116,000, and Mr. Gibbs said instead of. Mr. Malone asked if \$275,000 would be a more accurate representation of the needs, and Mr. Gibbs said yes. Mr. Malone asked if they have an advisory group in Nome and Mr. Gibbs said yes. Mr. Malone asked for a summary of their views. Mr. Gibbs said that they are the ones who put out the study. They really have been very active and as far as talking about taking education to the bush, those people are really working and he doesn't think they are going to work much longer if there is not some cooperation and response. He said that they do feel that in coming before the legislature they are drawing attention to some of their dire needs. The endorsement of the community is here, city council, Bering Straits Native Corporation, BIA, civic organizations, all are behind this.

Mr. Malone asked if the other funds they spoke of would be on the basis that it was a community college, and Mr. Gibbs said yes.

Mr. Duncan inquired about the credit hours and Mr. Gibbs passed out a sheet (in bill file) indicating numbers of credits and students at the facility. Brief discussion followed, in an attempt

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to relate Mr. Gibb's figures with the credit hours shown in the HB 357 budget.

Mr. Guy asked how long they have been an extension services. Mr. Gibbs said that he went up in July of 1973. He operated out of his apartment as an office at first. Their building was completed in October of this past year. This is the first year the building has been in operation. Mr. Cowper asked if it was damaged in the flood, and Mr. Gibbs said no. Mr. Cowper asked where it is located and Mr. Gibbs said on the east side of the town, out toward King Island Village. Mr. Naughton asked what the cost of that building was. Mr. Gibbs said that the original bond issue was \$350,000. When he got up there and started looking at the plans the budget was \$280,000. People had been travelling all over. (He commented that cutting down on the costs due to travel from Fairbanks is one advantage of their becoming a community college.) They finally had about \$277,000. Mr. Naughton asked if that was the final figure and Mr. Gibbs said that he thinks so. Mr. Naughton asked if that included land acquisition and Mr. Gibbs said yes, they have a lease. As for sewer, they got permission to hook up with HEW. Mr. Naughton commented that it seems like a lot of money for such a small facility. Mr. Gibbs said he was told go keep out of the construction, even though he recognized that it was not much of an education facility.

Mr. Guy inquired about the police administration correspondence course. Mr. Gibbs said that they went to the Nome city manager and asked if he would like a group set up for such a course. He said that the idea there was that the chance of success for the correspondence study course was better if there was a group.

Ms. Itta said that Nome has an advisory committee and she said that they are supposed to set up a needs assessment. Mr. Gibbs said yes, they have assessed the needs for next year. She asked if the University comes out with the courses or do they have the say-so. Mr. Gibbs said that he is really the one who assesses needs in the community; he goes around trying to find out what the people want. Ms. Itta asked if the University honors their requests. Mr. Gibbs said yes, so far as he can get instructors in Nome. University standards require persons with a masters or Phd and that is difficult to find in Nome. He commented that recruitment for a vocational education person ceased in November. They still very much need someone. Ms. Itta asked if they are not getting cooperation from the University, then. Mr. Gibbs said that they have been more cooperative this year, but the planning isn't there. One reason they went into business is so that they could tell people that this is a two year school.

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Ms. Buchholdt said that she had done some work for the Kuskokwim Community College when they first got started and she stated that the University of Alaska is really reluctant and still says they don't like the idea of community colleges; they like the idea of extension services. She asked what they are doing to get themselves established as a community college. Mr. Gibbs said that the advisory committee study shows that the people really want that. He said that he can't see why the University is so "uptight" about numbers. They want them to produce numbers before they put on the programs. HB 357

Returning to the subject of credit hours and trying to relate the University budget and the figures he had on courses, Mr. Gibbs said that he couldn't make any sense of the hours in the University document. He said that he thinks his figure is a better figure. There was further discussion and questioning on that, with Mr. Gibbs saying that he that they are above the figure of 280 which the University budget book states. He commented on the Kawerak program, and said that they have been trying to work with the non-profit branch of the Bering Straits corporation in getting instructors approved. Those people in Nome are flying into some of the other villages to try taking some courses to them. He said that he thinks it would be of great advantage to have the operation right in Nome so that the outreach program could really be coordinated.

Mr. Gibbs said that he knows that Dr. Hiatt has approved the concept of an AFN plan for some \$3.9 million for the bush area. He said that if he (Dr. Hiatt) can go for something like that, and they in Nome are already dealing with that, why don't they put a share of the money into the Nome Community College, because they are already set up and responding to the needs there.

Mr. Malone, looking at the \$275,000 figure in the bill, asked if this is someone's best estimate of what is realistically required for 1976, and Mr. Gibbs said yes.

Ms. Buchholdt asked if they wished to appropriate money to the Nome Community College, would they have a vehicle to do so? Mr. Gibbs said that there isn't presently a community college. The feasibility study has gone in and it would just be a matter of formality - the president of the University getting together with the Board of Regents, saying they are for it, and drawing up an agreement with the local school district. It would be a very simple process. Ms. Buchholdt said that if she remembers correctly the legislature created the Kuskokwim Community College. She said that she thinks the first thing that has to be done is to create the Nome Community College before they can appropriate the money. They have to find the right vehicle to do this.

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Mr. Malone said that he does not know how these things are being handled. He said that he knows sometimes the legislature has gone so far as to create or recognize a community college by statute. He said that there is a postsecondary commission in existence that makes recommendations of this sort. He does think it is within the ability of the legislature to say there will be a community college and appropriate money to it, as was the case with the Kuskokwim community college. HB 357

[Messrs. Hensley and Lane entered the meeting.]

Mr. Malone said that since this is a request for the budget year, maybe the best way to handle the appropriation would be in the regular annual appropriations act. Mr. Haugen said that it would have to be in there as a line item. Mr. Malone said that that was what he was talking about. He thinks that would be neatest and simplest way of handling it. Mr. Haugen suggested that there be legislative intent to relate it to HB 357. Mr. Malone suggested that this item be taken up along with the rest of the budget for the University of Alaska and whatever the committee decides to include for Nome at that time could be done then and this question of the Nome community college considered. Ms. Itta asked Mr. Davis what he thought of that plan. Mr. Davis said that before submitting this bill he went down and tried to figure out a way to establish a community college. Talking with legislative counsel he was told that all he could do was try to get it taken care of like the Kuskokwim community college. Mr. Malone said that that is what the committee is talking about doing. He asked Mr. Hogan to elaborate on that. Mr. Hogan said that he thinks it was just a line item appropriation, with a statement of intent. Mr. Davis did not object to this method. Mr. Guy, commenting on Mr. Gibbs' earlier statement that the University has given no consideration to the fact of growth in Nome, said that as of recent communication from Kuskokwim College, that seems to be applicable to Bethel, also. Mr. Malone said that the reductions in the requested amounts in some of the community colleges such as for Kuskokwim do appear to be arbitrary. He felt that should be examined.

HOUSE BILL 216 (Fully reflective license plates) was brought up for consideration. Mr. Bowman was sponsor of the bill. He said that the purpose of the bill is twofold. It also asks for a users' tax on license plates. He referred to a packet of information, primarily from the Division of Motor Vehicles. It goes into reflective license plates. They are not now fully reflectorized because of the cost. The real problem that prompted him to introduce this bill was when he saw that in Anchorage alone since November that there are 27,000 new cars, and 43,000 increase in the state since that time. The number of vehicles is rapidly increasing. The bill came up in Commerce and quite a lot of discussion ensued about increasing license plate costs at this time. HB 21

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He said that he would not object to reducing the increases by \$5. He pointed out that with the increased numbers of cars, particularly in Anchorage and Fairbanks, will come increases in all sorts of services that the state will be paying for and he thought that a users tax would not be out of line. How much the increases would bring in in revenues would be dependent on what figures the legislature settled on. The department is going to have to go to a different computer system because the three numbers and letters system they now have will not work and does not comply with federal highway safety regulations. When they ask for numbers now, they do not allow or provide for enough combinations. Mr. Malone said that in the information submitted in the package dealing with federal highway regulations, it says that fully reflectorized plates can be seen 10 times further.

In the bill it says all vehicle registration plates issued after January 1, 1972. Mr. Bowman said that that should be 1976. Mr. Malone said that if the amounts in the bill were reduced straight across the board from the bill, which in most cases provides \$10 increases, he would guess that it would reduce the income from the bill by about half, so that the increased revenues would be about \$700,000 a year. Mr. Bowman said that is true, given the 10% growth factor he was provided. However, he suspects that that is a very low figure. Mr. Malone said that he thought that Mr. Bowman was right. He said that he thought the fees should be changed to a \$5 increase and the date changed to 1976. Ms. Buchholdt noted that there is a \$5 increase on some vehicles and \$10 on others. Mr. Bowman said that now at this point in the bill there is a \$10 increase across the board except for motor-cycles which are raised \$10 and small trailers, \$4 to \$5.

Mr. Duncan asked what Mr. Bowman was referring to when he spoke about the computer system being changed, since the bill appears just to change the fees and require fully reflectorized plates. Mr. Bowman said that the cost of the new computer system is included because they are going to that system and it will mean a higher cost. Mr. Duncan asked if the computer costs, then, are happening regardless of disposition of the bill, but that the bill will offset costs. Mr. Bowman said that is right, but he doesn't know if the administration is prepared to testify on going into this or not. He said he thinks their testimony was that if the legislature enacted this they would feel it was all right; they were not supporting it but were not opposed either. Mr. Duncan said that he wanted to know if the bill is not enacted if they are going to have the cost there anyway. Mr. Bowman said not necessarily. They will probably go to a new plate next year, though. Mr. Malone said that under existing law, they could construe that authority exists to go to fully reflective plates anyway, but there is nothing to offset costs. In order to offset costs, this bill would have to go through.

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Mr. Gruening moved to report out HB 216 with an amendment on line 12 of page one, striking "1972" and inserting "1976".

HB 216
MOTION

Mr. Cowper said that by way of discussion on the motion it might be in order to think of what they want to add in taxes overall because the people will only stand for so much. Mr. Malone said that he thought that was one reason for discussing the lower increase figures.

Mr. Haugen asked what kind of increase would the state see as a result of the \$10 increases, and he was answered \$1.8 million after other costs; \$2.4 million in 1977 and \$2.6 million in 1978, based on 10% growth. Mr. Gruening said that he was persuaded to support the bill by the idea of the impact of the automobile. They do cost a lot in terms of highways, parking, etcetera. The automobile is not beginning to pay its fair share of the cost. He felt that the users ought to help pay. \$10 is quite a jump, he agreed, but after all, the people can afford automobiles. He said that he still thinks this picks up only a small part of the automobile's impact.

Mr. Malone objected to the motion. Mr. Duncan said that he thought they should look at some of the other tax bills, as Mr. Cowper suggested. Mr. Malone moved to reduce any \$10 increase to \$5. Reps. Itta and Gruening objected. Mr. Malone said that that would still provide an increase of \$700,000 to the state in FY 76. He thought people could stand the \$5 increase on the basis of highway safety. As far as general revenue, he had question about using this vehicle for that. Further discussion, and Mr. Malone withdrew his amendment.

MOTION

WITHDRAW

Mr. Bowman had earlier made reference about monies for mass transit, and Ms. Euccholdt asked how that applied to this bill. Mr. Bowman said that it did not; the revenues here could not be designated. However, there is a bill in on mass transit and he hoped that the committee would look favorably upon it partially in light of this bill.

Vote on the original motion carried 8 to 1, and the committee report was signed with a majority report of "do pass" on the finance committee substitute (incorporating Mr. Gruening's amendment), with Reps. Buchholdt and Haugen signing "no rec" and Rep. Malone signing "do pass if amended".

Committee moved on to consideration of HOUSE BILL 279 (Capital Site Selection Committee). Mr. Malone noted that there was a State Affairs Committee amendment reducing the amount of the appropriation.

HB 279

Mr. Hensley said that they are presently functioning with the money the legislature provided earlier this year and that would

4/12/75

carry them to the end of this fiscal year. It has enabled them HB 279 to select both planning and engineering consultants. They are working under a stringent time frame. They are moving along pretty much on schedule. Up to this point they have done their initial screening in phase one and are doing a phase two screening. Hopefully by May 5 they will be down to about 10 zones; by July 15, three zones; and they hope by mid September to have selected sites. He said that the committee has taken the position that the site selection process should be a public process, that they should get public input. They have already commissioned a group to do a public poll. They also feel there ought to be a study on transportation and accessibility of the sites. They have discovered that the data is not all available, contrary to what is said in the press. They have a scientific resource team working with them and they are assisting them in working up criteria for the site selection process and they have a great deal of expertise. Commissioner Gallagher's office also will assist the committee in an alternative financing study. The supplemental budget is something that they feel should move along if possible. He said that he thinks they will begin to get off schedule by a little after the middle of this month if they don't get more funds in time. It may cost them some of the money that they hope to save in this. He commented that Mr. Lane was present to answer more specific questions about the budget.

Mr. Malone said that in the letter of March 7, it says that in the initial appropriation monies were not included for consulting contracts inasmuch as they had not yet ascertained what level of services would be required. The letter from Mr. Parker to the Speaker discusses the Memo of Agreement between the committee and the firm of Crittenden, Cannon, Cassetta, Hellmuth, Obata, Kassabaum.

In response to questioning by Mr. Malone, Mr. Lane said that their reference to when they submitted their original request means what was decided upon at the January 13 meeting. They did not at that time have an idea of what the level of effort for consulting services would be, and so there were no monies included for consulting services. They had not yet filled out a detailed work plan. By the 26th of February they had a work plan and at that time the agreement was signed with the above-named firm.

Mr. Naughton asked if the figure for the consultants is high, and Mr. Lane said that it is right "in the ball park". 10% are for reimbursable expenses. Ms. Buchholdt asked what the margin of profit is, and Mr. Lane said between 10 and 15%. He said that he hadn't calculated it exactly.

Mr. Gruening referred to paragraph three of the Memo and questioned the reimbursable provision. Mr. Lane said that the understanding is that it is up to 10%. Mr. Hensley commented that this Memo of Agreement is superseded by another. The memo attached to the

Parker letter carried them only until March 26. There is an extension for another 30 days.

HB 279

The CCCHOK budget was broken down into tasks. Mr. Duncan referred to Task 2, and asked if the people mentioned are working for the firm or are they hired outside. Mr. Lane said that presently they are all their staff, and in some cases not on the staff but are planned to be hired. He said that they have some options. They are working to have a balanced group of people involved, with representation throughout the state.

Committee recessed at 3:30 p.m.

RECESS

AFTER RECESS
3:50 p.m.

Chairman Malone called the meeting back to order, Messrs. Cowper and Gruening no longer present.

Mr. Hensley said that in lieu of the proposed State Affairs cuts, they had some cuts of their own to recommend. They have taken another look at their budget, and felt that these areas could be cut: from the CCCHOK budget they could cut \$15,000 (that is the memo of April 8); from Engineering, from the Dames and Moore contract, they could cut another \$15,000; from the University of Alaska budget, they could cut \$5,000; giving a total reduction of \$35,000. This would make the total figure \$461,000.

Mr. Duncan asked where the University of Alaska budget is. Mr. Malone referred him to the flow chart. Mr. Lane said that pages 2 and 3 are the University budgets. He said that they have found that they will not need as much of the ERTS data as they had thought because they are getting it from other sources. That is where the \$5,000 cut comes out.

Mr. Duncan asked about the cuts in the other budgets. Mr. Lane said that CCCHOK \$15,000 cut would primarily come out of the first two tasks, eliminating the site and master planners. The Engineering cut in the Dames and Moore contract is because they found that some of the data has been compiled already by the committee's scientific resource team.

Mr. Duncan asked what the site and master planners were to have done, and wondered if that work is being done by other means. Mr. Lane said that some of that work takes place in the next fiscal year. That skill is needed once they get from 10 zones to 3 zones. That cut to 3 zones will take place July 15.

Mr. Malone asked on the reduction of the amount of work necessary with Dame and Moore, for elaboration on the work that they have found has already been done by the scientific resource team. Mr. Lane said

that the Dames and Moore people will be using soil engineers, climatologists, biologists, different kinds of geologists, and some of that work has already been done by the biologist on the scientific resource team. Also, soil information is already available. They will still do soils testing, he said.

Mr. Naughton noted that the figures do not all add up; Mr. Malone said that there is some overlap between fiscal years and phases, and Mr. Lane said that that is true.

Mr. Malone said that there was another item brought up by the State Affairs Committee, and that is the matter of per diem and compensation. He requested an explanation of those amounts. Mr. Hensley said that the committee (Capital Site Selection Committee) decided in an early meeting. They were uncertain initially as to what their status was -- part of the executive branch or out to the side. There were no particular guidelines in the initiative as to what the committee was to be paid, and so they determined for themselves \$100 per day and if they were on travel status, \$150 per day. They started off thinking it was \$35 for per diem and the Department of Administration informed the staff that it would be \$50. That is what the committee is presently getting for its meetings. \$100 is salary plus \$50 if they are traveling. With respect to the other aspect of the organization, Mr. Lane was originally started as a consultant. They decided that since the time frame seemed pretty tight they would hire him immediately and did so at \$3500 per month. When they worked up the budget, they decided to pay him an annual salary of \$36,000 and since he is not in the state system, added 18% for benefits at the direction of the Department of Administration. Mr. Lane commented that the entire staff has 18% added because they all buy their own benefits.

Mr. Malone referred to the March 4 letter with the numbered paragraphs at the bottom of the page, the first two of five specific objectives which are also divided in the budget as tasks 1-5. He inquired about the paragraph number (2) and the budget reference to different study groups dealing with the economics and cost evaluation as set out in task 2. Mr. Lane said that they would be looking at three points. In the CCCHOK budget, that being the primary consultant, economic analysis and cost evaluation are included. There will be transportation accessibility people. Dames and Moore will be dealing with costs in terms of infrastructure, availability of power, construction material, facilities. They will bring in series of costs and they will bring those to CCCHOK who will put them together.

Mr. Lane was asked what the function is of the CCCHOK firm. Mr. Lane said that they are an architectural and design firm. The CCC part are the architects, and the HOK part are the planners. Their job for the committee is to provide the committee with whatever is

necessary to accomplish their task. They had the choice of staffing up on a short term basis or going this route. The CCHOK people are bringing together most of the necessary people under one roof. That is their role. Aside from that, they are basically an architectural design and regional and master planning organization. Mr. Hensley commented that most of the firms they interviewed were of that type. If they had taken the approach of hiring themselves, they would have had to hire on a full time basis at least 10 people and others part time. They decided to have a minimal staff and contract out for the rest. HB 279

Mr. Malone asked how they are going to get the input associated with the economics and the cost estimation that is going to affect the whole state from one firm. They say they are getting input from transportation accessibility people and Dames and Moore. Mr. Lane said that they provide a certain level of costing out in terms of communications, waste water, sewer, and provide criteria and costs in those areas and their estimators are people skilled at that. The transportation people have their own people but will also go to the ISEGR group in Alaska. CCCHOK has some of their own economists on board but will also draw from other sources.

Mr. Malone referred to the breakdown in the April 8 letter and asked where the monies are included for this type of purpose, for this additional input. Mr. Lane said that they have economists in tasks 2 and 3.

Mr. Haugen, talking about economists, asked if they will be digging into the recommendation of Hohman Associates. Mr. Lane said that they have turned those studies over to CCCHOK. He said that he has not reviewed that but it is in the work plan. He said that it will not go unrecognized. He said that they were provided copies of the document by the City of Juneau at their request.

[Messrs. Cowper and Gruening entered the meeting.]

Ms. Buchholdt said that she understands the prime mover of this capital move is said to be in opposition now to the views of the Capital Site Selection Committee. Mr. Harris who was very active in moving the initiative, is now saying he disagrees with the present trend. Mr. Lane said that he thinks they are on the same side of the fence as Mr. Harris. They are trying to implement his dream. Mr. Harris' disagreement with the committee is a matter of degree. He says they do not need to do economic planning, infrastructure study, etcetera. Mr. Lane said in all master planning being done in the country, in every one of those studies the preplanning includes the economic factors, accessibility factors, and cost factors. The committee originally started out with a narrow view, and have expanded on that. He said that there was a point made by Senate Finance yesterday. Towns in Alaska over the

years have just grown up and for that reason there are things like floods in Nome, earthquakes in Anchorage. They happened because there was no preplanning effort, and the sites were not adequate to support urbanization. With reference to the amount of money being spent, Mr. Lane said that they think the extra money will save the state a tremendous amount later on. Mr. Harris is saying that the task at hand is easy to do; the committee is saying it is harder. For instance, looking at the available lands has meant examining a great deal of land available in the state. Each zone is like an area of six or seven townships. HB 279

Mr. Gruening asked what thought has been given to getting material to the voters, and he asked if there will be a brochure. Mr. Lane said that they have allocated \$25,000 for document printing. In addition to that they will send out excerpts through newspapers, radios, and are going to have television prime time in order to get this out to the voters.

Mr. Haugen moved to report the bill out of committee. Ms. Buchholdt objected. Mr. Haugen withdrew his motion.

MOTION
WITHDRAWN

Ms. Itta moved to amend the figure from \$496,000 to \$461,000. No objection, so ordered.

MOTION

Ms. Itta moved to report out Finance CSHB 279.

MOTION

The Chairman called a recess at 4:40 p.m.

RECESS

AFTER RECESS

4:45 p.m.

[Messrs. Hensley and Lane no longer present]

Mr. Malone called the meeting back to order. He noted that the committee had reduced the supplemental request by the \$35,000 Messrs. Lane and Hensley had suggested. He said that he thought the committee should explain that reduction in a letter of intent. Reviewing the material and looking with some degree of scrutiny at how the costs are broken out for CCCHOK, he said that he recognizes that this is basically a California based firm engaged in architectural design and urban planning; in view of that, he said that he would recommend to the committee that in their letter of intent they request that the Site Selection Committee allocate out of the \$461,000 the sum of \$20,000 for economic and cost studies using Alaska based firms. He said that he has some real reservations about all of this being done in California, and by far the greatest part is being done out of state. Committee was in agreement.

Ms. Itta's motion to report out FCSHB 279 was renewed and carried, RENEWED without objection. Majority report was "do pass"; not concurring was Ms. Buchholdt who signed "no recommendation".

HOUSE BILLS 265 and 266 (Community Legal Assistance Grant Program and funding for same) were brought up for discussion. Mr. Mike Harper, Deputy Commissioner of the Department of Community and Regional Affairs was present at this time to testify in support of the bills. The Chairman noted that these are Governor's bills, and he invited Mr. Harper to testify.

HB 265
HB 266

Mr. Harper said that the bills provide for a community assistance fund in the Department of Community and Regional Affairs. He provided some background on the bill. In June of this year in Minto there was a conference with 100 people from rural communities. They expressed a need for additional legal assistance help with some of the needs in rural Alaska. HB 265 was developed from recommendations coming out of that. The appropriation amount is \$50,000. This would set up aid for communities or entities unable to fill the bill for such costs. The jobs this is to speak to have been expressed in a lot of rural Alaska: helping to sort out problems of land owners - there are already problems related to land claims; liquor control - there are communities which do not want liquor and there are problems associated with planes coming in and such; problems such as arose in one of the southeastern communities in which they were up for a big EDA grant but EDA officials required much work to be done by lawyers and the community (he recalled that it was Angoon) had a hard time coming up with the money to sift out the problems of a legal nature. Mr. Harper said that the Governor was persuaded to introduce this legislation as one of his own projects. He said that he thinks that this is at least a beginning to see whether this concept is valid or not. The money is not a large amount, and if they find the concept invalid, the loss will not be great.

Mr. Haugen said that he felt that idea had merit. He verified Mr. Harper's statement about Angoon.

Ms. Itta moved to report out House Bills 265 and 266. Mr. Malone requested that the motion be divided, and so Ms. Itta amended her motion to report out HB 265. No objection, so ordered.

MOTION
AMENDED

Ms. Itta moved to report out HB 266. No objection so ordered. Committee reports on both bills were signed with a unanimous "do pass" recommendation.

MOTION

Mr. Malone brought up the subject of the SPONSOR SUBSTITUTE FOR HOUSE BILL 64 (Public Employees' Retirement), and specifically, the topic of the excerpt from the General Government contract negotiated by the APEA and the State, April 3, 1975, reading "The Administration will support reasonable improvement in the Public Employees Retirement System." Mr. Malone said that he would like to address a letter to the Governor asking him to clarify the meaning of that statement. He said that as he regards the contract, generally

SSHB 64

when a contract is put in writing, it is presumed to include all elements of that contract. However, in this case it appears that part of the contract may not be down in writing and Mr. Malone said that he would like that clarified. He was of the impression that the Governor was trying to include the legislature in the bargaining process, and it was Mr. Malone's feeling that that legislature ought not take over part of that responsibility. SSHB 64

Mr. Gruening said that he thought it was a good idea to write to the Governor, and indicated that he thought responsibilities were not being very clearly outlined. He suggested that a parallel would be for the committee to send a copy of a bill with a fiscal note to the Governor, stating that they would like to hear from him on the subject.

A suggested letter was read. Mr. Malone said that he wanted to be sure that if the legislature takes action on any retirement legislation, that is part of the concept of this contract. Mr. Haugen said that he felt that the committee ought to have a bill stating whatever it was the Governor agreed on. There was considerable discussion on this matter, and the point made that the legislature does not want to pass legislation on the basis of what they thought was intended by the agreement, only to have the Governor veto the legislation. Comment was made that if the executive branch is going to have to "give away" certain things every time there is a bargaining session, and if these contracts are going to encompass not only wages and salary but also working conditions, retirement benefits, etcetera, then the legislature ought to make it a policy that they do not pass out legislation giving benefits to public employees. Those benefits should be dealt with totally through the bargaining system.

Mr. Malone said that as he understands article 36 of the agreement, there is indication that there was some kind of agreement on retirement benefits. Ms. Itta agreed.

After further discussion, committee decided to send the letter to the Governor. Meeting adjourned at 5:30 p.m.

ADJOURNE

HOUSE FINANCE COMMITTEE
Monday, April 14, 1975
8:30 a.m.

All members were present with the exception of Reps. Cowper and Naughton. Also present were Jan Craddick, Jane Stewart, Paul Brown, and members of the staff. PRESENT

Chairman Malone called the meeting to order.

HOUSE BILL 389 (Appropriation - CRA for Local School Bond Guarantee HB 389 Fund) was brought up for consideration. Mr. Haugen said that last year the legislature passed HB 705, which allowed home rule cities to bond beyond the statute of limitation for school purposes only. The provision is something like cosigning for a loan. The legislature, however, did not appropriate money. The measure takes care of communities without much bonding capability and for which schools take up a major part of what they have. In order for the state to put up this money they have to be satisfied that the city has assets available so that they could confidently participate in a particular issue. In Petersburg, he said, they have bonded themselves above the statute of limitations. They are going to annex part of the area outside of the city and probably pick up another \$4 million of valuation, he commented. The bill passed last year without objection in either house. He said that for him, he considers passage of this bill urgent because they in Petersburg are moving ahead with their plans.

Mr. Gruening asked how much the fund is for. Mr. Haugen said that nothing is in the fund now. They didn't know last year how much it would be. They agreed that they would fund it if they got participation.

[Rep. Cowper entered the meeting.]

Mr. Gruening asked the reason for the amount that is in the bill. Mr. Haugen said that that is the amount of debt service it takes to float \$5 1/2 million. They have money left over on a secondary school, still, in Petersburg. He noted that the state does pay 50% of the bond debt service right now. Mr. Gruening asked if this appropriation is just to cover Petersburg, and Mr. Haugen said yes. If another city applied, they would be covered by a separate bill.

Mr. Malone commented that the money doesn't go to the community. It remains in the fund. It is a reserve fund of the bonds issued. He read from CH. 137 SLA 74 (last year's HB 705) which sets up the fund which is equal to the annual debt service of the bond issue. He said that it provides that money in the fund can be invested. It is like designating \$600,000 worth of investment in the general fund

In response to questioning by Mr. Malone, Mr. Haugen said that in Petersburg they have already had a bond election and referendum on lifting the debt service from 15 to 30% and they have already hired an architect to plan and design the schools. Mr. Malone said that despite the Commissioner of Revenue's comment during another hearing, this is not the equivalent of a bond bank. It is the state backing up the bonds of the cities.

Mr. Gruening asked if the state could use some of the illiquid investments, and Mr. Malone said that he thinks the answer is yes. It does say that the money can be invested. Mr. Haugen commented that that would be to its advantage, and he recommended it if it is not already clear. Mr. Malone said that normally these kinds of reserve funds are invested in some sort of a way that does earn some interest. Ms. Buchholdt asked if the interest would accrue to the fund. Mr. Malone said yes, anything over the amount required for the debt service reserve accrues to the general fund.

Ms. Buchholdt asked how many communities may be affected by this. Mr. Malone said that that would depend on how many apply. The money in HB 389 would cover the debt service reserve requirement for Petersburg. Mr. Haugen said that anyone who wanted to use that vehicle and who had that problem could put in such legislation. He reiterated that that is only for schools.

Mr. Haugen moved to report the bill out of committee. Mr. Malone commented on this legislature having to follow through with the commitments of the former legislature; HB 389 is not the only example of this. A large chunk of the HSS supplemental was the result of commitments made by the last legislature. Ms. Buchholdt inquired as to how many more communities are going to be coming in under this particular commitment. Mr. Haugen said that Wrangell is looking at it but they haven't even had a bond election. Mr. Malone said that he did not know of any more for this year. MOTION

Ms. Itta asked why Petersburg isn't mentioned in the bill, and Mr. Malone explained that it is because the money is not going to Petersburg. The fund itself would be applicable to any community under the 29.58.350 (b) provision of the law passed last session. It happens now that Petersburg is the only community in the position to take advantage of this. Ms. Buchholdt asked if others can apply, and Mr. Malone said yes, that it would have to be after a special or general election, and would have to be outside of an organized borough. It is just for home rule cities. Mr. Duncan pointed out that the commitment of last year's legislation was not to Petersburg but was to any community in that position.

There being no further discussion and no objection, motion carried unanimously. All members signed "do pass" with the exception of Mr. Guy who signed "no recommendation".

HOUSE BILL 344 (Council on the Arts - Theatre Project) was brought up for discussion. Mr. Malone noted that Mr. Duncan was prime sponsor of the bill. Mr. Duncan said that the requested funds are match money for National Endowment funds. He introduced Ms. Jan Craddick from Sitka.

Ms. Craddick said that the appropriation is to fund theatre development programs in seven communities - six in Southeast and the other in Cordova. There was a packet of information prepared and distributed to the committee members, included in which is a letter of participation from Cordova Arts and Pageants, Inc. The project is designed to bring a theatre consultant into these communities to prepare for building of new facilities or renovation of buildings for art facilities. Communities in Southeast, she said, do not have decent facilities for the performing arts. She said that they were unable to put this request in their original budget because the study was not completed until February.

Mr. Malone inquired about the consultant. Ms. Craddick said that there is no one in the state qualified by the National Endowment. Eldon Elder, the consultant who did the preliminary survey, did the Sidney Lawrence Auditorium and that is one of the reasons they are using him -- because they have seen him and his work.

Ms. Buchholdt said that it was her understanding that the Council of the Arts did not provide for capital improvements. Ms. Craddick said that that is right. They do approve of them doing this in this manner, she said. It is done through them. Mr. Brown said that on the same note as the Council not providing for capital improvements, the National Council on the Arts does not either, normally; but in the bicentennial year they will put money in. That will expire at the end of this fiscal year. That is one reason they are so eager for support of this. He said that the work is just for architectural design and the theatre development program. It is not the construction. That will have to be done probably by bonding. Ms. Craddick said that the designs will vary slightly. Ketchikan is going to renovate the old Main Street School. In Sitka they are discussing the possibility of a cross cultural facility for both performing and visual arts in conjunction with Sheldon Jackson. Petersburg has already passed a bond issue.

Ms. Buchholdt asked if they couldn't take the architect's design and modify it so it could be applicable to other areas of the state, and Ms. Craddick said that they are hoping to come up with a master design that they can go from.

After continued discussion on the need for these facilities, there was discussion on how to handle this appropriation. Final decision was that it was to be examined by the subcommittee on Education which will make its recommendations to the committee as a whole. HB 344

HOUSE BILL 81 (Supplemental - Department of Law) was brought up for consideration. Mr. Duncan moved to report the Finance Committee Substitute for HB 81 out of committee. No objection, so ordered. MOTION
The committee substitute changes the amount from \$120,300 to \$96,300 and specifies allocation of \$83,900 for Cook Inlet Price Case and \$12,400 for Lower Cook Inlet Case. Committee report was signed with a unanimous "do pass" recommendation. HB 81

HOUSE BILL 262 (Relating to state purchases from sheltered workshops) was brought up for consideration. Mr. Gruening moved to report HB 262 out of committee. He explained that it exempts from the competitive bid procedures under Title 37 the products and services of sheltered workshops. No objection, so ordered. MOTION
Bill was signed with a unanimous "do pass" recommendation. HB262

Meeting adjourned at 9:50 a.m.

ADJOURNED

HOUSE FINANCE COMMITTEE
Tuesday, April 15, 1975
7:14 p.m.

All members of the Committee were present, except for Messrs. Naughton and Cowper who arrived later.

PRESENT

Also present:

Dwayne Carlson, Federation of Labor
Bill Borgen, Sr., Ketchikan Pulp Co.
Don Dickey, Alaska State Chamber of Commerce
Robert Dozier, State Assessor
Rep. Michael Beirne
Rep. Al Osterback
Rep. Charles Parr
Rep. Lawrence Davis
Rep. "Red" Swanson
Rep. Susan Sullivan
Rep. Helen Beirne
Rich Guthrie, Fiscal Analyst, Legislative Finance

The meeting was called to order to consider House Bill 272. relating to Senior Citizen Property Tax Exemption. Mr. Gruening the prime sponsor said the purpose of the bill was to extend the same benefits now part of the law, to enable elderly people to benefit from a tax exemption, as the home owner presently does.. He indicated the changes occurring in the progression to the Sponsor Substitute, which he noted probably formulated the easiest computation. It comes out roughly to the equivalent of one month's rent for the elderly person; while not a great sum of money it means something to a person on a fixed income. The fiscal note consists of reimbursement to the municipalities for tax loss as a result of this tax rebate, and personal services. SSHB 272

Mr. Dozier told the Committee there were several aspects of the Bill that would require administration; that C&RA would have the whole program, working with the municipalities, to develop directly with the people involved. There would be publicity, forms, and establishing a program so those people have better contact with the department for easy access. There will be need for detailed instructions to the application because there will not be a person to help fill it out.

The second phase of the program will be to determine the amount of reimbursement, based upon the actual amount of rent paid. This will require a detailed survey of the area because it involves different tax code areas in twenty-five different taxing jurisdictions. The percentage of rent equivalent to the tax levy must be determined for each location.

He noted, as with all applications, there will be problems with incomplete applications, illegibility; it usually entails a lot of contact and 1 1/2 positions are requested to take care of the extra work load. The research assistant is being up-graded to a research analyst because of increased responsibility.

Mr. Gruening explained that the original bill routed the application through the municipality and the fiscal note on administration was higher. The municipality doesn't directly deal with the renters, but usually the landlord. Because the citizen deals directly with the C&RA department, the only money flowing will be back to the municipality, instead of from the renter to the department to the municipality. He did remark that the detailed forms bothered him after the experience with limited entry, and felt sure that with a little effort a one page form could be devised that even an attorney could understand. SS HB 272

He clarified further that the full tax would be collected but credit would be given back to the renters. In all cases the amount of grant goes back to the municipality because of the money lost.

Mr. Dozier said he had predicted a lot of correspondence, as well as alert materials, which justified the \$200 postage. Also mailing out the checks reimbursing the senior citizen for the portion of the rent that would be equivalent to the property tax.

(Mr. Naughton entered the meeting).

There were several questions on the fiscal note: In response to Mr. Malone, Mr. Dozier said they were researching setting up a Zenith number. They would have a Clerk Typist II and III, one a half-time position. He noted that the pay raise had not been figured into the salaries, and they would be a little higher.

Through Ms. Itta's questions the Anchorage area property tax exemptions for senior citizens were found to number 564 out of a total of 1887; Fairbanks, 287; Kenai 187; Mat-Su, 136. Ms. Itta asked if there was any logic to locating the positions in Anchorage rather than Juneau. Mr. Dozier replied that the administrative service division and other divisions which assist these programs are already located here; other than that, it might possibly save a few dollars. Mr. Guy, referring to the assistant state assessor, commented it seemed a lot of work for one individual. Both Mr. Malone and Mr. Dozier agreed. Ms. Itta asked if they could get along without the half-time clerk typist for the first year; Mr. Dozier said it was an important part of the operation and preferred the position to be kept in to do the job properly.

Mr. Haugen noted that low cost housing people get an exemption; Mr. Dozier said ASHA pays in-lieu money to the city. He added that this program is a lot more equitable than others because it will be based on actual rent paid.

(Ms. Sullivan entered the meeting).

Clarification of the 72 different tax code areas was made. Mr. Malone said it was referring to 72 different taxing jurisdictions which have mill rates that fluxuate from year to year. Mr. Dozier explained further that there are 24 separate municipalities, boroughs and cities which levy taxes; there are only one or two cities which have differential tax zones, but all boroughs have service areas with different mill rates applied.

(Mr. Cowper entered the meeting).

SSHB 272

Responding to Ms. Buchholdt's question, Mr. Dozier said the reimbursement would be based only on actual rent paid. Ms. Buchholdt said senior citizens are frequently not making any money but staying with relatives and while not paying rent, are babysitting or working in the house. Mr. Dozier was sympathetic but said the Bill was quite specific in those terms. Mr. Malone said they were not eligible unless the language of the bill were changed.

Mr. Malone wondered if there would be danger of the landlord raising the rent to pick up the rebate himself; Mr. Gruening acknowledged the danger was there but didn't know whether it was real or not. In Fairbanks or Valdez it is hard to determine on what basis the rent is raised--the landlord could raise the rent for any number of reasons. The thought had occurred to him; but he felt for the beginning we should assume honesty.

Mr. Rhode, the Chairman's Admin. Asst., suggested striking some kind of average of the ratio of rents to tax. If working on the assumption that the landlords are passing on the property tax to the renter, why not apply the mill rate of the area times the rent. It was pointed out that a higher valued house would have a higher tax amount than those of lower value, and they may be taxed at the same mill rate, but rent is not necessarily related to the value of the property.

Mr. Dozier said the 1970 census was used to determine the number of senior citizens because it was the only data on the total number in the state broken down by heads of households. There has not been a complete census since then.

Ms. Buchholdt moved and asked unanimous consent to amend page 1, line 11, by deleting "his" and inserting "a"; and page 2, line 7, deleting "his" and inserting "the", in accordance with the Revisors Act of 1973; there was no objection and the motion was adopted. MOTION Motion Carried

Mr. Duncan moved to report out of Committee a Committee Substitute for the Sponsor Substitute for House Bill 272, incorporating the above amendments. MOTION

The suggested amendment of Community and Regional Affairs Committee was pointed out. Mr. Gruening thought the feeling was that the gratis administration might be required of the municipality. He recommended it be incorporated into the Committee Substitute. There was no objection.

There was no objection to reporting out the CSSSHB 272, and it was so ordered. All members recommended it "Do Pass" except for Mr. Haugen who had "no recommendation." MOTION Carried

The next bill for consideration was House Bill 302, relating to revenue sharing for road maintenance. The sponsor, Mr. Guy said with the increasing fuel oil consumption and need for commodities in his region, it is becoming increasingly necessary to have easier access to the areas. The thought of delineating certain riverways HB 302

and portions of highways had occurred in the past but not been pursued. He pointed out the protective language to avoid abuse to frozen riverways, beginning on line 24, page 1, which he felt was one of the more important aspects of this amendment.

HB 302

Ms. Buchholdt referring to the March 21, 1975 memorandum from the Department of Highways, asked if the Analysis attached to the fiscal note took it into consideration. Mr. Guy reported after reading the memo he called Mr. Chenoweth and asked him for a fiscal note knowing that he had been in touch with many communities in the state. The analysis points out that villages and municipalities have put in requests for frozen riverways.

Mr. Naughton moved to report out of Committee, House Bill 302 and asked for unanimous consent. There was no objection and it was so ordered. All members recommended it "Do Pass."

MOTION
Motion
Carried

The meeting was recessed at 8:20 p.m.

RECESS

AFTER RECESS
8:32 p.m.

Committee Substitute for Senate Bill 146 was taken under consideration, relating to weekly rate and amounts payable for workmen's compensation. Mr. Malone pointed out that this Bill was a departure from the present method of computing benefits under workmen's compensation. The compensation for disability or death would be based on the average weekly wage of the state.

CSSB 146

The fiscal note indicates increased costs of \$145.9, but he pointed out the April 15, 1975 letter from Dwayne Carlson of the Department of Labor which shows a more accurate reflection of costs under this bill; \$343.3.

The Chairman opened the meeting to testimony. Mr. Don Dickey, expressed pleasure on having so many members present to hear his testimony, and went on to say the passage of SB 146 would not solve the problem but would compound it. It would be asking the legislature to sign a blank check. He pointed out the many unknown factors, and the unsoundness of the estimated average weekly wage. He compared the present limitation of \$175 per week with other states: Texas, \$70, Oklahoma \$50, Pennsylvania \$171, only Connecticut is higher with \$178. He felt the fact that Alaska was already next to the top should weigh heavily in considering this Bill.

He stated this not only would effect the state but every municipality. George Sullivan in Anchorage estimated \$300,000 to \$400,000 in their area. He noted that Alaska has a high rate of accidents, about twice that of all other states. He thinks 100% would be less than realistic and less than reasonable.

Another factor is the pipeline, and employees from other states who would receive Alaskan benefits, but not remain in Alaska.

He emphatically thought this Bill should be defeated; that its costs far exceed the benefits considering the financial situation facing the state.

Mr. Dickey also mentioned that all of these costs will be born by the big corporations and the native corporations coming into the economic mainstream will find this to be a major cost of doing business. CSSB 14

Mr. Carlson, Executive President of the Alaska State Federation of Labor was invited to testify. Referring first to the "Texan" and his eligibility, he said under the current law those hired in Alaska are entitled to full Alaskan benefits. He said workmen's compensation is not a social program, but did admit the basic act is a good act though there are certain areas that have not been kept up with.

He noted the changes between the original Bill and the committee substitute, saying it was really a sliding scale. He stated that ten states have adopted 100% of the average weekly wage; Iowa adopted the full schedule in this Bill, which was drawn up by the national council established under OSHA.

The impact to the state is in two areas. The direct cost to the state just covering workers is a "guestimate"; they pay a reimbursable loss plus a profit factor. He thought the rough \$200,000 was a minimal thing to protect its workers.

The estimated costs of CSSB 146 as outlined in the April 15 letter, were discussed. Mr. Carlson said there are two different cost factors: \$145.9 is an additional cost over what was already going to be funded; \$197.4 is the estimated cost of what the premium on the state employee will be--they pay on a reimbursable basis plus profit. The \$409.9 is supplemental payments, if SB 146 is passed. The \$264.0 is required in January 1, 1975 for FY 76 based on the Attorney General's opinion, and will be paid whether or not new legislation is enacted. Mr. Carlson said the State pays \$2.53 per \$100 of payroll which is about 13¢ less than 1972. He gave several examples of private industry's cost per \$100 of payroll for comparison--the logging industry has the highest rate because of the high rate of industrial accidents. He felt the increases are warranted to bring things into line. He told Ms. Buchholdt that most states use the basic premise that 66 2/3% will be drawn. To Mr. Gruening's question he said he could not project costs through 1981. The large impact is taking off the \$30,000 limit on the death benefit.

Mr. Cowper reported he had received a lot of mail from small employers and would like to ask Mr. Koch to come to explain the increased rates. The Chairman discontinued discussion on CSSB 146 and set up a meeting for 3:00 p.m., tomorrow (April 16), for further consideration.

The meeting was recessed at 9:25 p.m.

RECESS

AFTER RECESS
9:35 p.m.

Present at this time, in addition to Committee members were Bill Thomson, Director, Administration and Finance, Department of Education; Stuart Hall, Legislative Council; Ronald W. Lorensen, Assistant Attorney General, Department of Law. PRESENT

The meeting was called back to order to consider CSSSHB 24, relating to public education in the unorganized borough. Mr. Swanson, the prime sponsor, reported they had worked long and hard on the legislation, and felt it was a good piece of legislation toward the decertralization of State Operated Schools. He pointed out his suggested amendment in the April 15, 1975 letter to Mr. Malone from Mr. Hall, adding a new Sec. 41, which utilizes members of the Board of Directors of SOS, in an advisory capacity during the transition period. HB 24

Ms. Sullivan noted the basic intent was to repeal the State Operated School System and replace it with a new decentralized system. The boundaries will be determined by the Department of Education in concert with Community and Regional Affairs. Page 5 of the Bill divides into sections the regional educational attendance area for purposes of elections. Each attendance area will be allowed so many members elected at large. An important part of the Bill is the technical thing of setting up the elections.

Referring to page 9 of CSSSHB 24, she said the local contribution for all cities and boroughs would be from the General Fund in addition to the foundation grant.

Dr. Cole was called on to explain the fiscal note. He said local revenue was not to be confused with tuition which takes into consideration sources that are not generated locally; debt service is also not considered. In the preparation of the fiscal note, the kinds of programs under the foundation program and a comparison of total dollars was looked at. He noted the Bill expands the bilingual program making it mandatory statewide. There were some guesses made on the cost of closing out SOS's central operation and the elections.

Responding to Ms. Buchholdt, he reported the bilingual education required fifteen students, but now requires eight students and is expanded to the total eight. The only explanation he could give for the selection of the number 8, was another place in the statute where education must be provided if there are 8 students interested.

Ms. Itta inquired on the number of hearings and the groups represented. Ms. Sullivan reported hearings on SB 35, a similar bill, and hearings held by the House HESS in Big Delta, Tok and one other location; Mr. Robert Clark appeared three nights before the committee and felt it was a good bill that could be lived with. Dr. Cole reported attending hearings in Nome, Kotzebue and Fairbanks, and said there was a great deal of representation in Fairbanks by the Tanana Chief's meeting. Ms. Beirne noted that the interim committee on Pre-postsecondary Education did a lot of work on this which was incorporated in SB 35 and CSSSHB 24. Mr. Parr reported that the SOS Board had met with them in a work session. Ms. Sullivan added that this Bill also incorporates many of the AFN positions on statewide education.

Mr. Thomson told the Committee that the Commissioner of Education had not informed them of his final decision on P.L. 81-874. He noted that SOS had enjoyed preference in their reimbursement rate. The Commissioner has asked for a three year phase out, a five year phase out or a three year deferment, so it cannot be determined

4/15/75

what part of projects would be general fund and what part 874 receipts.

CSSSHB 24

Mr. Thomson reviewed the attachments to the fiscal note. (See Bill file). On Attachment I, Sec. 14.08.131, he pointed out the difficulty in determining the figures under column C, which are the costs under CSSSHB 24, because the SOS is not funded on the formula basis.

Attachment II, Sec. 14.08.151. During the transitional period there will be the decline of the central office and the increase of regional resource centers, but he did not know how many would be able to assume those responsibilities by July 1, 1975.

Attachment III, Sec. 14.30.410, takes the SOS FY 76 budget out of the general fund. They do not know how many children are in need of bilingual education in the school districts. They assume FY 76 would be an implementation year.

Attachment IV, shows the reduced amount by the contracted on-base schools.

He pointed out the PL 874 Impact Summary attached, saying the assumption was made as to the number of BIA schools joining the school districts. Ms. Itta asked if BIA had been included in the planning effort of this Bill since there are over 50 schools in the state run by BIA. Mr. Swanson pointed out it was optional to the BIA schools. Dr. Cole reported that since around August they have been having meetings with the central office of BIA in Juneau relative to this potential transfer; the last meeting being last Thursday afternoon. The Selfdetermination Act is based on a village by village concept, and it recognized there are some basic differences between the two, but both are moving toward a single education effort. He had suggested to them they could continue financial interest if they wanted to work that out.

Answering Mr. Gruening, Mr. Thomson said as regional centers are established, the need for the central office disappears and would no longer be necessary. Their activities would be carried on by the regional resource centers. He pointed out on the last page of the fiscal note which showed the regional resource center costs going up, and the central office disappearing after 1976. He added that accounting, purchasing, and so on will be done by the regional administration similar to any city and borough school district.

Dr. Cole said SOS had not been contacted regarding the costs, but a package will be sent and their opinion asked. This is only the Department of Education's estimate. SOS was not represented at this meeting because of a Board Meeting in Anchorage.

Ms. Sullivan addressed the two amendments suggested in Mr. Hall's memorandum of April 15, 1975. The problem of three-year terms had been considered in her committee and it was the feeling to leave three year intervals because that was the way it was throughout the state. Number II, is a new amendment which would place the Board of Director's of SOS in an advisory capacity. She noted the present board was very helpful in drafting the Bill and could be helpful in the transition itself. The balance of the amendments were technical

or gramatical in nature, and she spoke for the HESS Committee as being in support of all of them.

CSSSHB 24

Mr. Hall then began a review of the Bill section by section. He first stated the concept of the Bill, as he understood it, was to provide a framework for organized areas to take over the SOS operation where they were ready, and to divide the unorganized units into attendance areas in preparation for assuming the SOS operation. This legislation will apply uniformly throughout the entire state.

Under the present law the only areas are service areas; the attendance areas could be called anything and there is no attempt to delegate the taxing power. That responsibility cannot be delegated.

The Bill provides for the inclusion of the military reservation schools incorporating the policy of House Bill 188 this session. It provides that the BIA may be included. It provides for roughly a one-year start up.

Section 41 organizes regional school boards and provides for elections. The attempt has been made throughout the Bill to be comparable to municipal and borough school boards.

Mr. Gruening referring to Sec. 14.08.051, questioned the residency requirement of members on the school boards. Mr. Hall referred him to (e) of that section.

At this point Mr. Malone requested Committee members to make notation of the questions they had, to allow Mr. Hall to continue through the Bill without interruption.

Mr. Hall continued: At the present time the school elections are the same time as the municipal election and run by the municipality. This Bill proposes that the state run a local election. They are asking state election officials to run an election mid-way between regular elections. Ms. Polly felt the present staff would have problems with this on the off years. He pointed out that it was budgeted at \$73,000 for the first year; the second year and subsequent years it would become part of the Lte. Governor's Division of Election Budget.

Mr. Hall made note of suggested amendments and where they were included in the text of the Bill. He also pointed out changes to keep in conformity with the existing code.

Ms. Sullivan pointed out another amendment, page 1, line 10, section 2, should be AS 14.08 instead of AS 14.93. Page 6, line 22 caused a great deal of discussion in the HESS Committee and the thought was to change it to 90 days. There was testimony to the effect that it would be a tight schedule to complete in 60 days. (This in reference to elections). Dr. Cole said Ms. Polly had said 90 days would be better even with staggered establishment of the areas.

Mr. Parr offered an observation: Remembering two suits in Texas and California in an attempt to get away from high property taxes for schools. The thrust has been to equilize education across the State, and he feels this Bill using the foundation formula and average amount of local revenue costs across the state would make a great equilizor.

After brief discussion the meeting was adjourned at 11:00 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
Wednesday, April 16, 1975
3:15 p.m.

All members were present with the exception of Reps. Gruening, Guy, PRESENT and Duncan. Also present was Mr. Don Koch, Rate Analyst with the Division of Insurance, Department of Commerce; Mr. Mark Jensen, lobbyist for Associated General Contractors, Alaska Lumber and Pulp, Kodiak Lumber Mills; Mr. Al Anderson, lobbyist for Alaska Wood Products; and Dwayne Carlson, lobbyist for the Alaska Federation of Labor.

COMMITTEE SUBSTITUTE FOR SENATE BILL 146 (Relating to weekly rate and amounts payable for workmen's compensation) was brought up for discussion. The Chairman said that this was a continuation of last CSSB146 night's meeting. Mr. Cowper had requested additional information from Mr. Koch.

Mr. Koch distributed several sheets of information to the committee on the impact of the legislation on Workmen's Compensation Insurance Rates (see bill file) He went through the bill section by section with the committee.

Messrs. Anderson and Jensen testified on the bill, both stressing the burden to the employers. Mr. Jensen felt that the increases over the several year period would be particularly burdensome, and suggested only providing for one year in this bill and then looking at it again next year, so that there is more of a yearly review. Mr. Carlson also had concern over the several year provision.

Motion was made to report the bill out of committee. Objection was MOTION heard, and on vote, motion carried 5-2, Reps. Itta and Haugen not concurring. Bill was reported out with a majority "do pass", Reps. Haugen and Itta both signing "no recommendation".

[Mr. Duncan entered the meeting.]

Mr. Malone brought up the subject of the AMU purchase. He said that AMU he thinks the assessment values the land at a greater value than it is worth, because of limitations on its use. He questioned that land with such specific limitations (educational use) can be assessed at full valuation as if its use were not limited. He suggested an additional assessment paid for by the legislature. There was considerable discussion, with the conclusion that should legislation be introduced on the AMU purchase, the committee did feel there should be an independent evaluation made at request of the legislature. Cost would not be substantial.

Meeting adjourned at 5:00 p.m.

ADJOURNED

HOUSE FINANCE COMMITTEE
Saturday, April 19, 1975
9:08 a.m.

All members were present with the exception of Mr. Guy. Also PRESENT present were Representative Miller, Mr. Rich Listowski, and Mr. Mike Harper, Deputy Commissioner of the Department of Community and Regional Affairs.

COMMITTEE SUBSTITUTE FOR SENATE BILL 120 AMENDED (Day care facilities) was brought up for consideration. Ms. Buchholdt raised question about providing day care for parents who are not going to school or formal jobs, but who do go out on hunting trips, caring for family members outside of the home, etcetera. These things are often seen in rural Alaska, and then children are left unattended. Mr. Duncan said that those may be real needs but that is not the purpose of this particular legislation. CSB120
am

Mr. Cowper raised a question as to whether this bill would allow subsidation of facilities where children from higher income families might be left. The point was made that such facilities could get money from the Department but it would only be for those children eligible. Mr. Haugen asked who would be eligible and Mr. Malone said that that would be determined by the department.

There was question as to the reason for this being under the Department of Community and Regional Affairs. Mr. Gruening said that he understood that it was generally felt that it would be administered better under that program. HSS had money once for day care licenses and they funnelled it off into something else. Mr. Harper was requested to comment. He said that Senator Ray was pretty adamant about it being in CRA. Apparently he wanted to get it away from the aura of welfare and into the realm of community development. HSS will still be involved - they do the licensing.

Mr. Cowper was concerned that children with one parent in the home might be coming under this legislation, and he felt very strongly that if there was a parent in the home capable of caring for a child and not working or going to school, then this day care should not be provided by the state. He moved the following amendment on page 2, line 17, sec. 44.471.90, add a new sentence at the end of the section to read: In no event shall benefits be paid for the care of children of a family where one parent or guardian is not working or attending school, and is physically and mentally capable of caring for the children. There being no objection, amendment was adopted. MOTION

Mr. Harper brought up the fact that no money has been appropriated for the administration of this program.

After discussion, it was determined by the committee that the administrative costs would be borne out of the present appropriation for FY 75 and that in FY 76 there would be a separate appropriation for administration of the program. There was LEGISLATIVE INTENT to this effect. Mr. Malone commented that it would take the department 90 days to promulgate regulations so he didn't think they needed money for administration this year. Mr. Barker said that there was an RP passed which provided funds for the development of the regulations. CSSB120am

Mr. Cowper moved that the amendment be incorporated in a Finance Committee substitute, and that FCSCSSB 120 amended be reported out of committee. No objection, so ordered. MOTION

SENATE BILL 121 (Appropriation - Day Care Facilities) was brought up for consideration. Mr. Naughton moved to strike section 2 and insert in its place language stating that the act takes effect on July 1, 1975. No objection, so ordered. Ms. Itta moved to report out Finance CSSB 121. No objection, so ordered. Committee report was signed with a majority "do pass", Mr. Haugen signing "no recommendation". SB 121 MOTION MOTION

HOUSE BILL 330 (Regional native housing authorities) was brought up for consideration. The Chairman noted that there was a State Affairs committee substitute. HB 330

Mr. Miller made the point, after committee discussion and questioning, that this bill does not create the regional housing authorities. It just provides them with the power to enter into agreements with local governments and other political subdivisions for the exercise of powers relating to construction, operation and maintenance of public facilities or utilities. This will include the power to borrow money and issue notes, bonds, etcetera.

Mr. Anderson spoke in support of the legislation, stating that if they wait for ASHA to perform these functions, housing in rural Alaska will be a long time coming.

Mr. Duncan moved to report the State Affairs committee substitute out of committee. After brief discussion, motion carried without objection. MOTION

HOUSE BILL 331 (Creating Housing Development Revolving Loan Fund) was brought up for consideration. Ms. Buchholdt said that she was concerned that according to language on the first page of the bill, the loans do not have to be paid back. Mr. Malone said that he had some amendments. He thought that as the bill stands now, it might be an invitation to default. In addition, he felt that with that language there, the bill might have a short life. HB 331

Ms. Buchholdt noted that on page 3, line 3 of the bill, the correct

citation of the Internal Revenue Code should be Sec. 501(c), not (3) HB 33: MOTION
as the bill currently reads. She moved to delete (e) and insert
(c). No objection, so ordered.

The Chairman said that he had several proposed amendments. The first was on page 1, beginning with the word "Further" on line 20, delete the remainder of sec. 18.100.010. Mr. Naughton moved to MOTION
adopted the motion. No objection, so ordered.

Mr. Malone proposed another amendment: On page 2, after Sec. 18.100.030, insert a new section to read Sec. 18.100.040. The amount of any loan made under this chapter may not exceed 90% of the costs approved by the division as appropriate expenditures, and re-number subsequent sections accordingly. Mr. Miller testified that this would work a hardship on bodies such as the Alaska Housing Development Corporation of which he is a board member and which, as non-profit corporations, are not allowed to have any money and so would be unable to come up with 10% of the cost.

Question was raised on the wording on line 26, page 2 of the bill [the committee's work copy was the State Affairs committee substitute. Page references relate to the committee substitute rather than the original bill]; specifically, the terms "permanent loan". After discussion, Mr. Berrier was called and came before the committee explaining that this is accepted terminology.

Mr. Malone suggested a new section to follow Sec. 18.100.060, which would be entitled Sec. 18.100.070. Reports to the Legislature, and would read as follows: "The department shall report annually to the legislature on activities and status of the Housing Development Revolving Loan Fund." Mr. Haugen so moved. No objection, so MOTION
ordered.

Mr. Naughton asked what the Department of Community and Regional Affairs response to having this as a responsibility is. Apparently the Commissioner would have preferred having it under the Department of Commerce, but is willing to abide by the legislative decision and they will accept it and carry out the intent of the legislature.

Mr. Naughton moved to incorporate the Finance Committee amendments to the State Affairs committee substitute into a Finance committee MOTION
substitute and to report FinCSHB 331 out of committee. No objection,
so ordered.

HOUSE BILL 332 (Appropriation - CRA, Office of Housing Asst.) was HB 332
brought up for consideration. Mr. Miller testified in favor of
the bill. Mr. Harper was asked for his comments. He said that he

had no strong feelings except that he knows there is a crying need in many areas of the state, and not just rural areas. Fairbanks, for example, is certainly in need. HB 332

Ms. Buchholdt was concerned at taking this action at this particular time. She felt it should be looked into further.

Ms. Itta moved to report HB 332 out of committee. Ms. Buchholdt objected. On vote, motion carried 5-2, Reps. Haugen and Bucchoholdt not concurring. Majority report was do pass, with Reps. Haugen and Buchholdt signing "no recommendation". MOTION

Mr. Malone said that he would like to have a resolution prepared for introduction by the House Finance Committee requesting that a study be made considering the needs for housing in the state and the possibility of coordinating efforts to improve housing in rural Alaska.

HOUSE BILL 333 (Allowing 2 or more housing authorities to act jointly) was brought up for consideration. Mr. Miller said that the bill allows two housing authorities to go to the market together. It is just "housekeeping" that should probably have been done when the original legislation was passed. It is completely permissive. HB 333

Mr. Cowper moved to report HB 333 out of committee. No objection, so ordered. Report was signed with a unanimous "do pass". MOTION

HOUSE BILL 335 (Appropriation - CRA, Housing Development Revolving Loan Fund) was brought up for consideration. Mr. Malone commented that as far as justification for the specific figure of \$100,000, he did not know if there was one. Mr. Miller said that the thought was that the average loan probably would be in the area of \$5,000, going perhaps as high as \$10,000. \$100,000 then would serve between 10 and 20 requests. Ms. Bucchoholdt raised question about the competition between areas and was concerned that one area could have several loans and another area might not even know that they were available. However, the Chairman said that since this is under the Department of CRA, if there were considerable competition, they would more than likely not repeat loans to the same area. HB 335

Mr. Cowper moved to report HOUSE BILL 335 out of committee. No objection, so ordered. Report was signed with a unanimous "do pass". MOTION

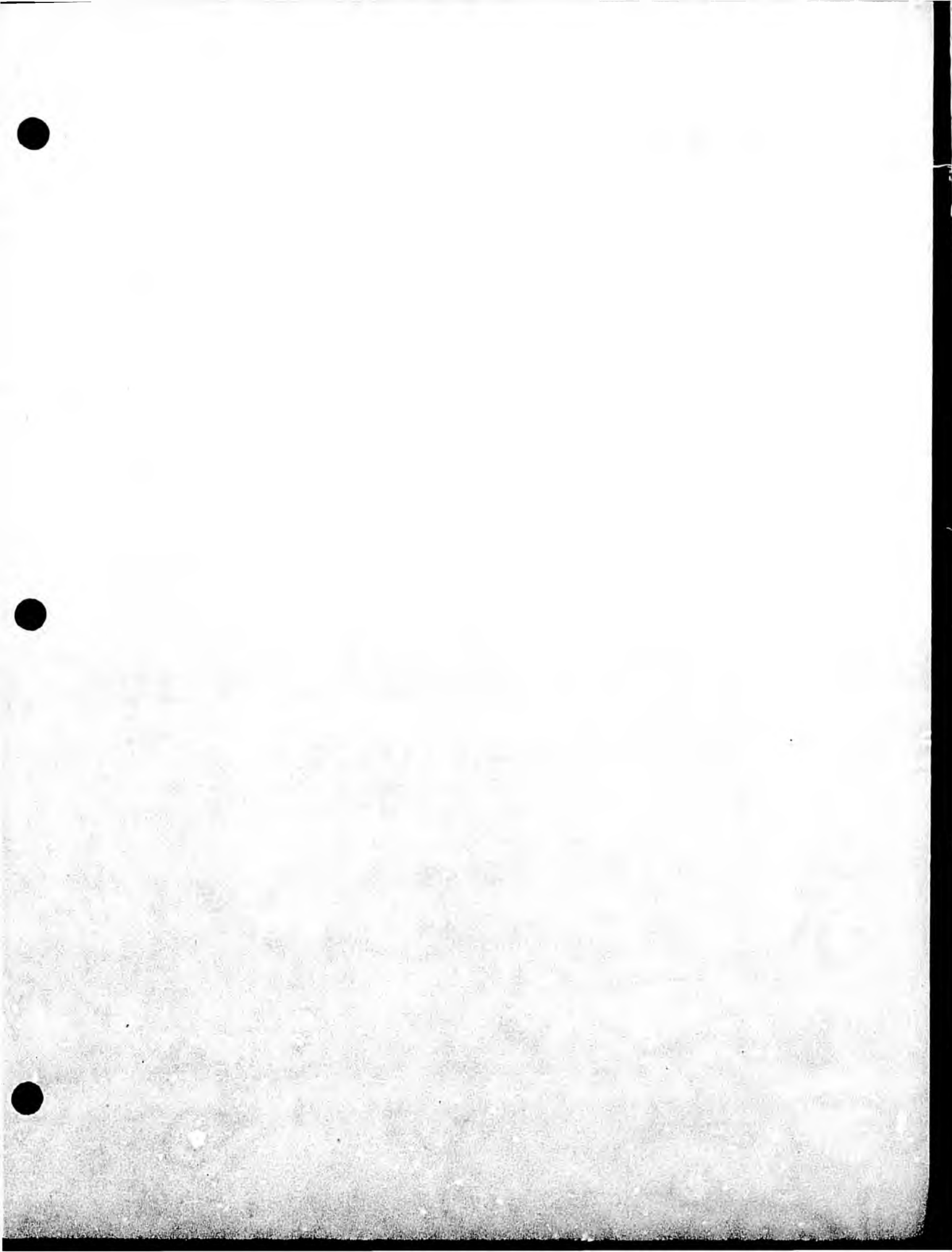
Meeting recessed at 11:32 a.m.

RECESS

AFTER RECESS
11:45 a.m.

Chairman Malone called the meeting back to order. HOUSE BILL 334 (Relating to Alaska Housing Finance Corporation) was brought up for consideration. HB 334

Mr. Malone moved to amend Sec. 18.56.030 by deleting the language following "consisting of" through "by the Governor" and inserting in MOTION



CORRECTION

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HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

in its place "three members appointed by the governor, two members appointed by the president of the senate, and two members appointed by the speaker of the house" This would be a new section 1 of the bill, and section 1 of the original bill would become section 2. HB 334
There was considerable discussion on the amendment, and on vote, motion carried 6-2, Messrs. Duncan and Haugen voting no.

There was a motion to report the bill out of committee. Objection MOTION was heard and on vote, motion carried, 7-1, Mr. Haugen dissenting. Majority report on the finance committee substitute was "do pass", Mr. Haugen signing "do not pass".

Meeting recessed at 12:10 p.m.

RECESS

AFTER RECESS

1:17 p.m.

All members were present at this time, except Mr. Guy. Mss. Itta and Buchholdt arrived later. Also attending were Representatives Nels Anderson, Helen Beirne, Willard Bowman, Mike Miller, Terry Gardiner, Charles Parr; others attending the meeting were Judy Crondahl, Fiscal Analyst for Budget and Management; Jay Hogen, Director, Milt Barker and Bob Grogan, Fiscal Analysts for Legislative Finance; and Jim Rhode, Staff Assistant; Dick Holden, Architectural Planner, U of A. PRESENT

The meeting was called to order to consider House Concurrent Resolution 33, relating to joint state-federal fire-fighting program. HCR 33
Mr. Parr, the prime sponsor commented that many areas do not have even volunteer fire departments and they are not feasible. There are areas with large snow falls blocking roads. The intent of the resolution is to try out the use of the BLM techniques for fires in remote areas.

Mr. Cowper moved to report out HCR 33; there was no objection and it was so ordered. The Committee recommended it "Do Pass". MOTION
Motion
Carried

House Concurrent Resolution 36, relating to a feasibility study of the ferry system extension was next taken under consideration. HCR 36
Point of information by Mr. Haugen: last year \$3 million was appropriated for two different studies and only about \$25,000 of the \$300,000 Knik Arm study has been spent and the Yukon study retains 100% of its funds. He is not opposed to the resolution but it may take some money and he suggested there might be enough money in the two studies mentioned to include another. Mr. Malone also asked how much had been spent on the Iliamna study.

Mr. Hogan reported the Knik Arm was a study; the other really a matching grant for construction of a ferry on the Yukon River.

(Mss. Buchholdt and Itta entered the meeting).

The Chairman suggested funds might be re-allocated to cover HCR 33, since normally the funds don't lapse. Mr. Duncan noticed that both HCR 33 and HCR 41 looked like double costs and suggested both be considered together. Mr. Malone said there might be several ways to reach the sum necessary to do both studies. Mr. Haugen thought the Director of Marine Highways could give a decent figure. Mr. Hogen pointed out another study for the Homer, Kodiak and Iliamna area for \$50,000.

Mr. Malone first wanted the Committee to consider whether or not the studies should be requested, then depending upon the outcome, the question of the funding would be investigated further.

Mr. Gruening moved to report out HCR 33, and asked for unanimous consent. Mr. Cowper objected; he asked if they would automatically be on the hook for money for this study by reporting out the bill. It seemed to him that they could have someone who already works for the state check freight rates and costs. MOTION

Mr. Malone pointed out specific instructions in the resolution clause of HCR 36 for the Department of Public Works. It was suggested in the fiscal note that the study be done inhouse and it would only cost around \$19,000. He agreed it was possible they might be automatically on the hook if other action wasn't taken. The means of funding can be discussed after the necessity of the studies was determined.

HCR 36

Ms. Itta mentioned that out of all the studies so far, she considered this to be a real high priority for service to the Aleutian Chain. Ms. Buchholdt felt there was a need for this sort of thing. She disagreed with the amount appropriated for the studies, but supported the concept.

There was no objection to the motion to report out HCR 36, and it was so ordered. They recommended "Do Pass" except Mr. Cowper who had "no recommendation."

Motion
Carried

House Concurrent Resolution 41, is similar to HCR 36 except it accesses western Alaska, and the extension of the ferry system. Mr. Anderson, the prime sponsor said the resolution was clear and straight forward; there is no longer freight going into Bristol Bay; the North Land Marine has only an unscheduled service. There is need for some form of a transportation system besides the airfreight and they would like to get plugged into the beautiful marine transportation system they are paying for.

HCR 41

(Mr. Naughton left the meeting).

Ms. Buchholdt wondered if the focus of the study could be expanded to include the area all the way to Point Hope. Those villages are having the same problems.

Mr. Duncan moved to report out HCR 41; there was no objection and it was so ordered. The Committee recommended it "Do Pass", except Mr. Cowper who had "No Recommendation."

MOTION
Motion

The fiscal notes were discussed: HCR 36 had a fiscal note for \$19,000 and HCR 41 was \$25,000. These were both inhouse studies, not consulting contracts.

Mr. Hogan advised the cleanest way to reallocate funds and the most precise would be to amend the appropriation bill made last year downward and split the money up to those projects. Also, the Governor could be instructed to reallocate funds, but he might not choose to do it. Mr. Hogen noted that last year there was \$20,000 appropriated to the Division of Aviation for a study and about \$5,000 was spent on it; he questions whether it is worthwhile to spend a lot of money on a study done within the department.

Mr. Malone said a letter of intent on HCR 36 and HCR 41 would be written to accompany the resolutions out of committee stating the intention of the committee to be the reappropriation or re-allocation, in House Bill 70 this year, \$30,000 of the \$300,000 for the Knik Arm Study for the purpose of carrying out the studies under HCR 36 and HCR 41. (The \$30,000 was revised downward from \$44,000 at the suggestion of Ms. Buchholdt).

Letter
of
Intent

House Concurrent Resolution 45, relating to wildlife conservation was considered next. Mr. Cowper, the sponsor, said this was to request the Governor to direct Fish and Game to make recommendation for a program to protect animals not hunted or fished for. The Department is supposed to take care of all wildlife in the state. There is no fiscal note. HCR 45

Mr. Malone suggested for a fiscal note: there will be no special appropriation for this purpose; the Department will carry out the preparation of the recommendation and plans within their FY 76 appropriation. Letter of Intent

Mr. Duncan moved to report out House Concurrent Resolution 45, incorporating the Chairman's suggestion for a fiscal note as a Letter of Intent. MOTION

There was brief discussion of the types of animals the resolution covered. There was no objection to reporting out HCR 45; and it was so ordered, the Letter of Intent to accompany it. Motion Carried

House Joint Resolution 15, proposes an amendment to the constitution relating to the University of Alaska. Mr. Naughton commented that all were aware the Legislature was operating in something of an informational vacuum regarding the University of Alaska. This was a way to get information to make decisions appropriate to the University. Mr. Malone understood the property spoken of in the present constitution is interpreted by the University to mean only the real and personal property of the University of Alaska. Mr. Naughton confirmed to Ms. Buchholdt that this would provide the legislature with time to look into the budget and books of the University. HJR 15

Mr. Malone remarked that laws could be passed on the real and personal property to be administered; but laws could not be passed to say how funds could be used for the U of A. There is no control over an appropriation once it is made unless it is for property.

Mr. Guthrie believed the purpose of the resolution to be a clarification of a gray area. The legislature, over the past several years has increased its control of funds appropriated to the U of A through the technique of breaking down the appropriation. There is still a question of whether this can be done under the constitution. The University has not chosen to take it to court; this resolution would make it clearer to the court if it came up.

Ms. Buchholdt moved to report out of Committee HJR 15; there was no objection and it was so ordered. The Committee recommended it "Do Pass" except Mr. Haugen who had "No Recommendation." MOTION Motion Carried

Next under consideration was House Bill 213, relating to the University of Alaska and reports made to the legislature. Mr. Rhode noted that a fiscal note had been requested of them last week, but there had been no reply. HB 213

Mr. Naughton, the sponsor of the Bill, said it provides for a report to the legislature and gives the authority to give certain information including the administration and disposition of appropriated and restricted funds. It would give the legislature a better idea

of what the picture was in the University of Alaska. The original CSHB 213 bill provided that the U of A be brought under the Executive Budget Act, but that was deleted in the Judiciary Committee. He told Ms. Buchholdt it didn't "upset" him; it would be nice if it were possible, but the Bill still provides for the bulk of what was asked. Mr. Guthrie pointed out that this again gives the word from the legislature to the U of A that the information method is not satisfactory and clarifies the issue of restricted funds.

Ms. Crondahl told the Committee she had been attempting to get the U of A interested in that portion of the Executive Budget Act pertaining to performance reports, but so far no luck. One of the basic assumptions of the Executive Budget Act was that there would be certain objectives and goals and measures of them to give guidelines to what is appropriate for a budget. The portion of the budget having the most restricted funds is the Organized Research BRU. She related the problem of positions and salaries under this BRU, and expressed doubts of whether HB 213 was specific enough.

In response to Ms. Buchholdt Rep. Gardiner said he personally preferred the original House Bill; it was on the basis of the recommendation of the U of A, that the Committee Substitute was done.

Mr. Malone remarked that the U of A could successfully resist the deletion until the passage of HJR 15; so that portion of the legislation would not be effective until the amendment to the constitution. This is a requirement that a report be made which doesn't conflict with the administration of funds.

Mr. Naughton said there was a fine line as to how much they should "bite" the U of A at this time. With the committee substitute for 213 financial information, enrollments, credit hours, courses, geographic information on students will be available. There are many areas of reporting not being done right now partly because they do not have information. This puts pressure on them to get their house in order and will be a big step forward. He felt it would be pragmatic to go for HB 213 at this time.

Ms. Buchholdt moved to report out CSHB 213; there was no objection and it was so ordered. The Committee unanimously recommended it "Do Pass". MOTION Motion

Senate Concurrent Resolution 12, for a road between Bethel and Napakiak, sponsored by Senator Hohman, was next considered. Mr. Cowper spoke on the Bill, saying it was around twelve miles and was a winter time road now. A road could probably be built for very little and they could use it. This resolution is a request for the Department of Highways to see how much it would cost; the people in the area want it. SCR 12

The Chairman suggested a Letter of Intent would be appropriate indicating that the Committee approves SCR 12 with the understanding that the feasibility study will be conducted within the level of appropriations authorized for the Department for FY 76; that no additional appropriation will be made. Letter of Intent

Mr. Cowper moved to report out SCR 12, with the Letter of Intent; there was no objection; it was so ordered. MOTION Carried

House Bill 63, creating the Department of Transportation, was considered next. The Chairman had agreed with the sponsor to consider at the same time, House Bill 429, relating to public facility procurement policy, state and political subdivisions. The Bills are somewhat related in that there are some powers delineated in each bill that are in confusion in the administration. He brought attention to the proposed Finance Committee substitute that had been prepared for HB 63 and offered to the committee.

CSHB 63

HB 429

Mr. Bowman, the prime sponsor said there had been quite a lot of discussion on this subject. About two weeks ago the Governor made a statement that administration was considering delaying the creation of the Department of Transportation (DOT) for another year. There has been one major conflict between Highways and Public Works and the attempt to eliminate this bottleneck has been by creating a state procurement division which is House Bill 429.

Mr. Bowman noted omissions in the Fin.CSHB 63: line 11, page 1, "construction" should be inserted after the word "study"; line 17, page 2, (1) "Plan, construct" maintain and operate...; line 19, page 2, after "aviation facilities" add "except for design and construction of buildings which is a responsibility of the Department of Public Works." Page 6, line 21, after "harbor facilities" add "except for design and construction of buildings and attendant structures thereon." Line 23, page 6, after the word "planning" insert the word "construction".

At Mr. Duncan's request Mr. Bowman explained the main differences between the State Affairs committee substitute and the proposed Finance committee substitute; he stated that before the State Affairs Committee, they had been trying to interpose the two departments into one which was bad from the beginning because of all the people being involved. After listening to the pros and cons it was felt the best way would be to pull everything from DOT and go to a full procurement plan for the state, like a state GSA. DOT would be the modal transportation system entirely; Public Works would have nothing to do with Highways. At that time they thought Public Works would construct the highways and give them to Transportation. The role of Public Works has been expanded as far as procurement goes throughout the state.

Sec. 5, repeals AS 44.19.700 to 44.19.712 and AS 44.44.010, which pertains to the Commission for Northern Operations, and the commissioner of highways.

Mr. Naughton, referring to Sec. 3, page 6, "The DOT is vested with the duties and powers formerly held by the Department of Public Works (DPW)," asked if there was a section that took the powers away from the DPW. He read AS 44.43.020, the general powers and duties of the DPW, then suggested there should be something to pull those powers away from them. Mr. Bowman said it would properly go into HB 429 and Mr. Malone agreed that putting in a new section in HB 429 to clarify the intent which addresses duties of DPW would be best. Mr. Naughton pointed out it would work if both bills passed. Mr. Miller didn't think it probable that both bills would not go through, but suggested it could be incorporated in both.

After brief discussion, there was no objection and the new language will be included in the Finance CSHB 63. CSHB 63

Mr. Naughton said the phrasing of "attendant structures thereon" pertaining to harbor facilities bothered him. Mr. Bowman said it was difficult to know where to cease to be definitive; they thought the shorter the bill without going into definitive directions the cleaner it would be; they didn't know how far down they could go and remain effective. There are some things that will have to be worked out; anything connected with the boat harbors short of a building on shore would be DOT. He felt many engineers in both department will balk, but the time had come; the House Finance Committee or the House itself, could write a Letter of Intent.

Responding to Ms. Itta, the Committee was told the difficulty was with operations running into hundreds of millions of dollars; there was no fair way of estimating a fiscal note right now. The fiscal note indicated it would be approximately 1/2 of 1% of the amount of money spent on transportation; the validity of that was doubted.

There is no allowance for transition costs because the funds are already there, just in different places and the various amounts will be pulled out. The studies are the only items needing any funding. Mr. Bowman noted there was a \$500,000 appropriation for the planning procurement fund in House Bill 430.

Mr. Malone explained there would not be a transportation commission created because of Sec. 44.42.050, page 3, lines 11-15, which put the legislature in control. It was felt this approach was best. Mr. Haugen said other states have commissions and continuity of plans. Mr. Bowman answered that this was the creation of the DOT but if time indicated there were abuses and changes were necessary he would be one of the first to propose such a commission; he would not like to create it in the structure at this time. Ms. Buchholdt thought the process to be complicated; Mr. Malone said the legislature considers the plan itself, and has nothing to do with the development of it.

Mr. Malone pointed out on page 3, Sec. 44.42.050 (b), that it does require the commissioner to seek public review and indications and says he should cooperate and consult with local governments and other agencies in the development of the plan.

After discussion, at Mr. Duncan's suggestion, there was no objection to changing Sec. 44.42.050: (a) would begin with line 11, "The commissioner..." (b) would remain the same; (c) would be the first part of (a) down to "The Commissioner..."; (d) would be (d). These changes would be incorporated into a finance committee substitute for HB 63.

Ms. Buchholdt moved to report out a Finance Committee Substitute for House Bill 63, incorporating the amendments previously discussed by Mr. Bowman, Mr. Naughton and Mr. Duncan; there was no objection and it was so ordered. The Committee recommended it "Do Pass" except Mr. Haugen who had "No recommendation." MOTION
Motion
Carrie

Mr. Malone said a Letter of Intent would accompany FCSHB 63 out of Committee saying it was the Legislative intent in the Finance Letter
of
Intent

Committee Substitute for HB 63 that there will not be in FY 76 an additional appropriation for the establishment of the DOT; the costs of reorganization are expected to be absorbed as the result of an adoption of a non modal structure.

CSHB 63

Letter
of
Intent

The Legislature expects, as a result of the reorganization and consolidation of the transportation functions, that transportation costs to the state of Alaska for the state budget should decline. The Legislature encourages the administration to meet these goals.

Taking House Bill 429 under consideration, the Chairman said the procedures and policies for procurement for public facilities of the state were addressed because earlier attempts to combine procurement policy with the DPW seemed to "muddy the water."

HB 429

Mr. Duncan pointed out that this reorganization and consolidation should actually be a savings, which resulted in the last paragraph to the Letter of Intent above.

Mr. Bowman, the prime sponsor, suggested amendments to the Bill: on page 2, line 24, and 26, to read "Procurement and Planning Policy"; on page 4, add to line 16 after "marine highway system", "or those facilities outlined in AS 44.42. DPW."; in the title delete "and of political subdivisions of the state". The phrase should be left in on line 16, but deleted in line 24, and on page 2, section 5.

There was discussion of the application of the requirements to schools: Mr. Bowman said it would apply if the state is helping fund the school. If the state is putting money into the schools, they also have to supply to the state, life cycle costs of the building: project costs and maintenance, etc. A major problem with rural schools is always beginning at ground "0" every time a school is built. Mr. Haugen didn't think this would apply where a local home rule city was paying the debt service. Mr. Malone said it should be considered that right now most public facilities for which the state makes grants or loans have degrees of approval required by the state of Alaska; they must meet certain standards or they don't get the funds. This Bill would say that in addition to the other types of approvals, the department would adopt regulations providing for certain procurement policies and certain types of information to be supplied to the state.

Mr. Duncan asked what the state would do regarding home rule cities, and Mr. Bowman replied that if state money was being spent in any place, certain standards would have to apply. Mr. Haugen remarked that he "didn't buy that." Mr. Malone noted that municipalities in general fear the state encroaching on the meager authority they now have, but that is not the intent of the legislation; it is the intent to save money for the state and local government facilities by coming up with common purchasing where possible, of like items--there is some cooperation now. This would be possible in construction as in operation. He didn't think they would have to provide plans and specifications, but policy guidelines.

Mr. Holden's opinion was asked; he said the state and the Department of Public Works would develop a policy statement on how state funds should be spent. Mr. Gruening wondered how this would work in practice. Mr. Holden said the DPW would be charged with the res-

possibility of devising a life cycle cost plan; the design professional would use those guidelines. Mr. Malone felt it was just as important in the interests of the municipality to save money by having the proper type of information. Mr. Haugen did not disagree with the idea but said every level of government wanted its own autonomy. Mr. Bowman said the school districts would still be doing their own procurement but would have help from the state. Mr. Gruening asked how far the help went. , HB 429

Mr. Holden reflected on the experience of the state of Washington: they had mandated that local school districts must subordinate their efforts to the state; they realize there are a lot of benefits but it took a long time to get there. He felt with this route there would not be the same problem. He noted that most public agencies with federal funding have to go through HEW. Mr. Haugen said maybe he would get less critical as he gets better acquainted with the idea.

Mr. Gruening felt it was not a bad idea that local school districts be required to comply with policy; he didn't see anything prohibiting the department from denying the certificate if the best procedures wasn't followed. He asked if it gave the department the authority to say where they could buy. Mr. Holden said it didn't have much to do with purchasing.

Mr. Malone said a new approach was taken with both bills; section C, page 3 of HB 429, appears in both so agencies will not be "charging" down on municipalities and then having to retract the old section of law; its a gentle adjustment of policies and plans and he thought a good safe guard.

In response to Ms. Itta, Mr. Malone inquired what would happen to the BIA schools. Aspects of remodeling or reconstruction were not touched on, though there are certain safety codes. The policy and procedure being followed must meet certain state standards.

Mr. Holden said approval of the state was obtained during the planning stage. He noted that some school districts do very little planning before they sell the bonds; with procurement policy, there would be control over when the planning would be done.

Mr. Haugen suggested leaving out political subdivisions initially and taking them up as the funding progresses; Mr. Bowman pointed out that funding was approaching 90% in some areas, and he felt care should be taken not to begin at "ground 0" on each new building.

Ms. Buchholdt, commenting that this would promote more accountability of state funds; moved to report out a Finance Committee Substitute for House Bill 429, incorporating the amendments discussed, and asked for unanimous consent. Mr. Malone reviewed the changes to be incorporated. The question was called; there was no objection to the motion and it was so ordered. The Committee recommended it "Do Pass" Mr. Haugen had "no Recommendation".

MOTION

Motion Carried

A recess was called at 3:50 p.m.

RECESS

AFTER RECESS

4:15 p.m.

The meeting was called to order, and House Bill 430 was taken under consideration; the appropriation to the Department of Public Works, procurement planning fund; \$500,000. Mr. Holden was asked to outline the salient features of the Bill; he was also asked to cooperate with the DPW in developing a fiscal note. HB 430

Mr. Holden said it was necessary to develop a set of procedures for a life cycle costing policy, and the expertise was not available in the state. He estimated the methodology study would take four to five thousand hours over two years and cost about \$250,000. Some information would be available from the U of A that has been paid for. It will cost a fair amount of consulting expense to start up. He noted that in the beginning 1% of the U of A bond issues was being spent for planning policy but the amount was diminishing now. He calculated it would take about four years to get into a position of control; about the time the oil money would be arriving. Control of that money would be possible.

Mr. Malone interrupted to say Mr. Naughton had brought to his attention that if there is to be a planning fund, it should be created by a way other than just an appropriation. He suggested a proper vehicle might be in HB 429. Mr. Naughton was asked to prepare an amendment to HB 429 which will be considered at the same time the committee substitute is. HB 429

House Bill 171, creating a water resources revolving loan fund, was next considered. It was suggested by Ms. Buchholdt that there could be a connection between this and House Bill 324. HB 171
HB 324
Mr. Malone suggested language be incorporated in CSHB 171 under Loan Fund Source: "The fund shall consist of monies appropriated to the water resources revolving loan fund. In addition loans under this chapter are eligible for investment by the Alaska Mineral Lease Bonus Permanent Fund as an investment.

They would like \$3 million this fiscal year; feasibility studies and roads to the dam sites are anticipated. After discussion a \$1.7 million figure was thought to be sufficient through calendar year 1975, and if they used that amount of money and the state's fiscal picture changed there might be additional money appropriated.

There was a question of whether hydro electric projects would have priority over fresh water projects. Mr. Gruening suggested in Sec. 45.86.040 (c) they add: "however, where there is a critical water supply shortage, water supply projects will be given priority. Mr. Cowper noted that his area was eliminated entirely, as well as other areas without water.

Membership of the committee was discussed and it was felt that the commissioner of environmental conservation would be a good addition.

Mr. Gruening moved to amend the Bill by deleting on page 2, line 12, "administration" and insert "environmental conservation". There was no objection and the motion was adopted. MOTION
Carried

Mr. Cowper moved to amend on page 1, lines 10, 12, 14, page 2, MOTION

lines 5, 9, 14, after the word "water" insert "and electric power"; on page 1, line 17, omit "hydroelectric" and insert after "generation" the words "of electric power"; on page 1, line 19, omit "hydroelectric" and insert "electric power".

MOTION

By roll call vote the motion carried with Messrs. Haugen, Duncan and Malone opposed.

Motion Carried

Mr. Haugen moved to report out a Finance Committee substitute for House Bill 171, incorporating the amendments discussed.

MOTION

Mr. Gruening suggested an amendment on page 1, lin 14, to delete "revenues from mineral" and insert "minerals for"; there was no objection to including this amendment.

There was no objection to the motion to report out HB 171, and it was so ordered. Mr. Cowpers amendment, Mr. Malones change of language to Sec. 45.86.030, and Mr. Gruening above amendment to be incorporated into the committee substitute. A "Do Pass" recommendation was given.

Motion Carried

Committee substitute for House Bill 179 was considered. Ms. Helen Beirne, the prime sponsor, described the differences between the original bill and the committee substitute. The concept is to go into the community schools type of program to make a school accessible to the community; to furnish a small grant to pay for the maintenance and possible hiring of a coordinator.

CSHB 179

Ms. Beirne had no objection to deleting the part referring to the advisory council, but felt the coordinator section should be retained. If it were administered by the present staff, that would go back to the original bill. She felt a coordinator would be able to accomplish more the first year, but had no objection to going back to House Bill 179, which leaves out the coordinator and the council and addresses the same fiscal note before the committee.

Mr. Gruening moved to report out a committee substitute based on House Bill 179, but replacing section 14.36.010 (b) with the same section in the HESS committee substitute; there was no objection and it was so ordered. A unanimous "Do Pass" recommendation was given.

MOTION

Motion

Sponsor substitute for House Bill 225, relating to the elimination of architectural barriers in public buildings and facilities for physically handicapped, aged or infirm persons, was considered. Ms. Beirne the prime sponsor said she was unable to get a fiscal note on the Bill, but didn't think there had to be one.

SSHB 225

Ms. Beirne suggested adding to Sec. 4, on page 3: "if it is deemed impossible to meet the ten year conformity clause authorization can be given to modify or waive any such standards on a case by case basis upon application made by the head of the department, agency, or instrumentality of the state concerned and by a determination of the commissioner of public works that such a modification or waiver is clearly necessary."

Ms. Itta moved to adopt the amendments offered by the HESS

MOTION

Committee: page 1, line 17, after the word "federal" add "state or other public funds,"; page 2, lines 25 and 26, delete the sentence after "be" through "operation" on line 26 and insert "initiated for planning, design, finance and construction;" Also the amendments to sec. 3: line 13, delete "leased or otherwise acquired"; line 16, delete "elevators or other passenger lifting equipment, ramps, or other", and insert "adequate"; line 19, delete "all public"

SSHB 22

There was no objection to adoption of the amendments and it was so ordered.

Motion Carried

Ms. Buchholdt moved to report out a finance committee substitute for the sponsor substitute for House Bill 225 incorporating the above amendments. There was no objection and it was so ordered. A "Do Pass" Recommendation was given.

MOTION Motion Carried

House Bill 238, relating to the custody and representation of a child in court proceedings. Mr. Gardiner said Mr. Bradner had done a lot of work on this bill along with attorneys, judges, and court officials. One thought was it might encourage persons to think twice about divorces. He said it would not be required in every single case.

HB 238

Mr. Cowper moved that the Bill be amended on page 2, line 14: delete "the responsible party" insert "one of the parties responsible for the costs"; line 15, after "disbursement" add "for that party". Mr. Gruening objected. After a short discussion the motion was adopted without objection.

MOTION Motion Carried

Ms. Buchholdt moved to report out a Finance Committee Substitute for House Bill 238, incorporating the amendment; there was no objection and it was so ordered. A "Do Pass" recommendation was given except Mr. Haugen who had "No Recommendation."

MOTION Motion

A Letter of Intent would accompany the Bill: In the House Finance Committee's deliberations on House Bill 238, it was determined that the fiscal note prepared by the Alaska court system is not sufficient. Therefore the House Finance Committee requests the court system to prepare an accurate fiscal note for House Bill 238 based on their available statistical data.

Letter of Intent

There was no further discussion and the meeting was adjourned at 6:35 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
Tuesday, April 22, 1975
8:50 a.m.

All members were present except Ms. Itta; Messrs. Guy, Gruening and Haugen arrived later.

PRESENT

Also Present Rep. Mike Miller and Rep. Bill Parker; Ginny Kline, interested citizen; press and staff.

House Bill 173, Juneau Indemnification was taken under consideration. Mr. Duncan had been assigned to do some background work on the Bill before this meeting. He presented an amendment in the form of Section 9, outlining guidelines for determining when the program should begin. (This was later adopted by the Committee on April 23, 1975).

HB 173

The main concern was around the triggering of the program; that it would begin too soon or for the wrong reasons, or not start until too late.

Attorney General, Avrum Gross was sent for and asked if this Bill would fall into special or local legislation; what were the chances of it being challenged. Mr. Gross said he thought this was an instance where special legislation would be permitted; there is no way to make it a general piece of legislation. He had checked some of the wording in the Chugiak-Eagle River legislation, and does not feel this bill would meet the same fate. He thought his office would have no trouble defending the Bill.

Mr. Guy moved to amend on page 4, Section 9 (c) that upon commencement of the indemnification program, a rectification program shall be commenced for other areas of Alaska whose adequate development were hindered due to the remoteness of the state capitol.

MOTION

Mr. Malone said the amendment would be held in abeyance until the legislation was considered before the committee again.

The meeting was recessed at 10:00 a.m.

RECESS

AFTER RECESS
2:00 p.m.

This portion of the meeting was a budgetary review of the University of Alaska, and will be found in the Budget minutes.

4/22/75

HOUSE FINANCE COMMITTEE
Wednesday April 23, 1975
9:10 a.m.

All members were present except Mss. Buchholdt and Itta, and Messrs. Guy and Duncan. Also present were press and staff. PRESENT

The meeting was called to order to reconsider House Bill 63 which had been reported out of committee. A substantial change was found necessary to page 6, lines 11-18, which placed a very unusual restriction on the power of eminent domain. Mr. Malone suggested two alternatives. HB 63

Mr. Cowper moved that the bill be amended on page 6, line 12 to delete "privately owned land or"; on line 14, insert a comma after the word "park"; on line 15 after the word "area" insert "established by law". After brief discussion this motion was withdrawn without objection. MOTION Motion Withdrawn

Mr. Haugen moved to eliminate section B of 44.42.080. Mr. Naughton objected. He thought it was a good idea for it to be proven there was no feasible alternative to running over people. MOTION

Mr. Malone moved to amend the main motion by deleting the words "privately owned land or" and insert after "critical habitat area" the words "established by law". MOTION to Amend

Mr. Haugen felt this had nothing to do with the organization of the two agencies. After further discussion Mr. Malone withdrew his amendment to the motion without objection. Motion Withdrawn

By roll call vote the main motion carried with Messrs. Malone and Naughton dissenting. Motion Carried

House Bill 429, a companion bill to HB 63, which redefines the duties of the Department of Public Works and provides for a public facility procurement policy was reconsidered. HB 429

Mr. Naughton proposed to amend the Bill on page 5, by inserting a new Sec. 5; the intent is to establish a fund initially with an appropriation; a revolving fund will charge the planning cost against the project.

It was found there was an appropriation to SOS last year for \$400,000 for advance planning to establish a revolving fund; Fish and Game had \$466,800 in advance planning money. Mr. Haugen said he would like to look at all the monies appropriated and 100% intact on March 31.

Mr. Gruening moved to amend page 4, line 19, after the word "fund" insert "the fund is a working capital reserve fund and consists of money appropriated by the legislature for MOTION

4/23/75

the purpose of providing procurement planning working capital and is available on a reimbursable basis for procurement planning." He asked for unanimous consent to adopt the amendment. There was no objection and the amendment was adopted.

HB 429
Motion
Carried

A letter of intent would accompany the Bill: The legislative intent of section 2 (procurement planning fund) is that this fund will be reimbursed from project appropriations for planning expenditures on those projects. After initial appropriation by the legislature, further appropriations will not be necessary.

Letter
of
Intent

It is also the intent of the legislature to consolidate, insofar as possible, the existing working capital planning funds within state government in order to carry out the intent of HB 429.

Mr. Haugen moved to amend the title of the bill by deleting the balance of the phrase after the word "state". There was no objection and it was so ordered.

MOTION
Motion
Carried

Senate Bill 243, a retirement bill was considered. There are presently 3 persons receiving benefits; the bill would cost about \$1800. The people were actually named in prior legislation.

SB 243

Mr. Gruening moved to table the bill; The motion failed 3 for and 3 against.

MOTION
Motion
Failed

Mr. Naughton moved to report SB 243 out of Committee; Mr. Gruening objected. By rollcall vote the motion carried with Messrs. Gruening and Haugen opposed,

MOTION
Carried

The meeting was recessed at 10:00 a.m.

RECESS

HOUSE FINANCE COMMITTEE
April 23, 1975
4:45 p.m.

Present were Representatives Malone, Buchholdt, Duncan, Naughton, Haugen, and Gruening, and Cowper.

Present

Also present were Representative Helen Fischer, Representative Mike Miller, and Andy Williams of the press.

Chairman Malone called the meeting to order. The Committee considered the House State Affairs COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 173 (an act providing for indemnification in the event of a decrease in property values within the City and Borough of Juneau resulting from enactment of the capital relocation initiative).

CSHB 173

(Juneau
Indemni-
fication)

Representative Duncan distributed copies of proposed amendments to CSHB 173. He informed the Committee that the amendments were in addition to the amendment distributed the previous day. (For a list of amendments, see final pages of the meeting's minutes.)

Representatives Gruening and Naughton voiced concern over the following language in the bill: "A determination of the board of equalization or subsequently by the commissioner is final." Representative Gruening pointed out that the bill had neglected to refer to AS 29.53.140 which states that "If an appellant fails to appear, the board of equalization may proceed with the hearing in his absence; the appellant bears the burden of proof; the only grounds for adjustment is proof of unequal, excessive or improper valuation based on facts which are stated in a valid written appeal timely files or proved at the hearing; the board shall certify its actions to the assessor within seven days; the assessor shall enter the changes and certify the final assessment roll by June 1; an appellant may appeal to the superior court for, and is entitled to, trial de novo of the board's action. Either party to the appeal may demand a jury trial."

Representatives Gruening and Naughton said that existing language in the bill might be construed as "foreclosing" on an individual's right to appeal to the superior court. Other language in the bill refers only to AS 29.53.130-AS 29.53.135, an appeal to the board of equalization. Representative Duncan stated that the intent of the language was not to limit anyone's right to appeal.

(Representative Malone left the meeting.)

The Committee members present unanimously decided to incorporate the following language in Representative Duncan's amendments: (Sec. 13, subsec. (c), which will become subsec. (d) with approval of proposed amendments, Page 6, Line 9) Insert the following language: "A property owner may appeal the final determination under AS 29.53.140." and delete current subsection (d).

Representative Naughton referred to Page 6, Line 18 of the Committee Substitute which states "The commissioner must obtain the approval of the attorney general for any proposed regulations but otherwise need not comply with the provisions of AS 44.62." Representative Naughton asked for an explanation of the statutory reference and why the commissioner need not comply with the provisions. Representative Miller stated that the statute referred to the Administrative Procedures Act, and that the Attorney General had recommended the language in the bill. He explained that this would prevent having to hold hearings across the State. Representative Naughton pointed out that it is the people's money which will be indemnifying the individuals and suggested that this language be deleted. (This subsection was deleted later in the meeting.)

Representative Buchholdt referred to Page 6, Line 16 of the bill which states: "Following adequate public notice, the commissioner shall hold public hearings in Juneau before adopting any regulations." Representative Buchholdt told the Committee that the hearings are public, and people in other parts of the State (not just Juneau) are interested in the hearings as well. She suggested that this subsection not be limited to hearings in Juneau only. (This subsection was deleted later in the meeting.)

Representative Helen Fischer informed the Committee that CSHB 173 had been reported out of the State Affairs Committee "in very bad shape." She then referred to the amendment distributed the previous day by Representative Duncan which provided for a new Section 9, listing five potential triggering devices which could provide for the commencement of the indemnification program.

Representative Duncan explained that his proposed amendments no longer tied the commencement of the indemnification program to the average Juneau employment share falling five percent.

(Representative Cowper entered the meeting.)

Representative Fischer then referred to another guideline which would trigger the program: "A decrease to some figure less than 95% in the occupancy rate for either owner occupied or rented dwelling units."

Representative Fischer could not agree with the 95% factor. Representative Duncan explained that historically, Juneau's occupancy rate has been close to 100%. A 95% occupancy rate would indicate a loss of a significant number of people and a decrease in employment. Representative Miller added that the occupancy rate percentage is just one of the occurrences which the commissioner would consider in making the determination to commence the indemnification program.

Representative Duncan stressed that the five occurrence factors are "guidelines" for the commissioner of the Department of Community and Regional Affairs to consider. Transfer of agencies (#4 factor) may not mean anything by itself. Representative Fischer voiced concern over the fact that these "triggers" will become part of Alaska Statute; therefore the occurrence factors will be the reasons to commence the program. She told the Committee that the triggers proposed by the State Affairs Committee were better than those proposed here. Representative Fischer stated that she did not want to see the program triggered because it will mean the demise of Juneau. She pointed out that the State is a number of years away from the capital move, and she felt that it would be foolish for the bill to pass this session. If the bill does pass, she felt it would have a detrimental effect on Juneau. Representative Fischer added that HB 173 is a very important piece of legislation not only to Juneau, but to other parts of the State as well. She thought the bill should be deferred until the Capital Site Selection Committee had selected a capital site.

Representative Duncan stated that Juneau is in an "entirely grey area" at present by not having any assurances for the future. Representative Duncan said that while the City and Borough of Juneau are making every effort on the local level to "pull them out of the fire", holding over the bill until the Commission has selected a site and until the 1976 election may be detrimental to the community. He said that the community will probably have already lost property value by that time. Representative Duncan added that Juneau feels it is critical now that legislation move ahead, and many people in administration and local groups, as well as the State Affairs Committee, have spent many hours on this legislation.

Representative Fischer stated that the rest of the State has a financial interest in this bill but has had very little input into the legislation. She reiterated her concern over the triggers, such as the 95% occupancy rate. Representative Miller pointed out that the occupancy rate would be a triggering device only if the Community and Regional Affairs commissioner determines that the program should start. He said that if all the criteria is met, the Commissioner is still not obligated to trigger the program's commencement.

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Representative Miller pointed out that one critical factor involved with the legislation is time. He said it will take one year to "operate this bill." The bill calls for appraisal of every property of the community, and it would be unfair to the people of Juneau to defer the legislation.

(Representative Malone entered the meeting.)

Representative Naughton asked Mr. Duncan to explain the language found on Page 5, Line 26 of the bill: "The fair market value of capital assets shall be computed on the basis of sales year replacement cost less depreciation." Representative Duncan explained that the sales year means the year an individual would attempt to sell the asset. Representative Malone referred to Section 3 of the bill and stated that the amount of reimbursement is determined by subtracting the actual sales price at the time of sale from the fair market value.

Representative Naughton asked what was meant by "replacement cost." Representative Duncan replied that it would mean what it would cost to replace that equipment the year the sale was made, less depreciation. Representative Naughton asked what would occur if an item is worth "0"; would the individual receive any money at all? Representative Duncan replied that he would not, if the item is unsalvageable.

Representative Miller said he thought the language in the bill was language used in the appraiser's handbook; this is a standard appraisal technique.

Representative Duncan moved that the Committee accept the proposed amendments and have a Finance Committee Substitute drawn up for the Committee's consideration. Representative Buchholdt objected.

Motion

Representative Buchholdt said she was concerned about the wording of the amendments. She said that in the proposed amendment which provides a new Section 9, the words "the commissioner shall be guided by one or more of the following occurrences" concerned her.

Representative Malone pointed out that the language does not say that one item will trigger the program; it says that the commissioner can make a decision based on this criteria.

Representative Malone then asked Representative Duncan if he had considered having the Governor make the decision to commence indemnification rather than the commissioner due to the heavy responsibility. Representative Duncan replied that the point had been discussed and they felt that if the Commissioner of the Department of Community and Regional Affairs made a decision it would be in concurrence with the Governor, and the original bill written at the request of the Governor had indicated the Governor's desire to have the Community & Regional Affairs agency responsible for the program.

Representative Buchholdt pointed out that because this bill deals with problems which will effect the entire State, she was more inclined to have a board or commission look into the legislation; the legislation needs more public input, and the program's commencement should not be a decision of just the commissioner. Representative Duncan suggested adding language to the bill which would say that the commissioner's determination would be "in concurrence with the Governor", although Representative Duncan felt that this was already implied by the current language.

Representative Buchholdt said she believed in planning and felt that this bill is needed, but she was not sure if she would be agreeable to doing anything at present. She agreed with Representative Fischer's assessment of the problem; the site must be selected and worked out with the voters at the polls. Representative Buchholdt stated that she was not sure that this is the time to do this kind of thing, but she added that she is not entirely opposed to it.

Representative Buchholdt then told the Committee that Representative Guy, during a previous meeting on CSHB 173, had proposed an amendment regarding those areas deprived of capital development because of the new capital; indemnifying Juneau is the result of economic losses. Representative Guy had been concerned about the areas which will not get anything from the capital move.

Representative Naughton referred to the proposed new Section 9 which states "The authority shall begin to process..." He asked what the word "authority" referred to. Representative Duncan explained that the word had been left in by mistake and had referred to the Alaska State Housing Authority before extensive changes had been made to the bill. He said the word "authority" should be deleted and replaced by the word "department". Representative Malone stated that the change to "department" shall be incorporated in the amendments proposed.

Representative Fischer then asked if this bill has had hearings elsewhere in the State. Representative Malone said that there have not been hearings in other parts of Alaska, to his knowledge. Representative Fischer stated that she felt the people of Alaska wanted to be fair with regard to this legislation, and they may have some valuable suggestions and input. Representative Malone stated that the Finance Committee has held no hearings outside the Capitol Building this session due to the press of work. He did not anticipate that any hearings would be held in other parts of the State. Representative Fischer understood that the Finance Committee had no time at present to do so, but she suggested having an interim committee or the Finance Committee during the interim conduct meetings in other parts of the State. Representative Malone stated that Representative Fischer's suggestion would be considered.

Representative Gruening asked Representative Duncan to describe the benefits of the bill's approach to the problem vs. deferring legislation until such time as there is a decline in Juneau.

Representative Duncan stated that the meat of the bill does wait until a precipitous decline in the market value of property, but setting up the base-year assessment must be done to know what the property is worth. He said that "we are just setting up mechanics for people in the future if we do get hurt."

Representative Duncan said that a base-year assessment is necessary to determine property value. Market fluctuation and depreciation will be considered after that. This bill will assure the people of Juneau that they will be helped, and will encourage them.

Representative Duncan stressed that he and the people of Juneau hoped that they will never have to use the bill, but the way the bill is written, it is possible for an individual to build a home, for example, in 1978, and if the capital is gone in 1981, the individual knows he won't have "lost his shirt." Representative Duncan added that this applies to small businesses too. The bill provides an insurance policy to the people of Juneau.

Representative Gruening asked if anything had occurred reflecting a decline in building in Juneau since the passage of the capital move initiative. Representative Duncan replied that from conversations, he understood that there had been a decline. In one instance, part of a commitment for a planned shopping center had backed out of the agreement. He added that before financing new houses is agreed to, contractors must assure the banks that they have the houses sold.

Representative Gruening called for the question (Representative Duncan's previous motion to accept the proposed amendments and have them drawn into a Finance Committee Substitute for HB 173 for the Committee's consideration).

Question

Representative Naughton said he objected to the language regarding the trigger mechanisms. Representative Buchholdt concurred.

The question being called for, the vote to accept the proposed amendments was as follows:

Yeas:	(5)	Duncan, Haugen, Gruening, Cowper, Malone
Nays:	(2)	Buchholdt, Naughton
Absent:	(2)	Itta, Guy

And so, the motion carried, 5:2.

Representative Naughton then referred to Section 14, subsections (b) and (c), Page 6, Lines 16 - 20, and moved and asked unanimous consent that both subsections be deleted; there being no objection, it was so ordered.

Motion

(Representative Cowper left the meeting.)

Representative Haugen moved that the Committee report out Finance Committee Substitute for House Bill 173. Representatives Naughton and Buchholdt objected.

Motion

Representative Naughton said the Committee should give Representative Guy an opportunity to submit the amendments he had referred to during an earlier meeting. Representative Haugen pointed out that Representative Guy had been excused from a call of the House until the 27th of April.

Representative Malone stated that the Committee had previously established a policy for this type of situation: if the committee member is not present, legislation will not be held over for the member's consideration.

Representative Naughton said his suggestion to defer the bill until Representative Guy returned was merely a courtesy extended to a colleague.

Representative Buchholdt referred to the fiscal note attached to the bill and asked Representative Duncan to explain the costs involved. Representative Duncan told the Committee that the total cost of assessment is estimated at \$440,000. The amount shown on the fiscal note (\$274,600) represents the State's share of the assessment, and administrative costs.

Representative Buchholdt asked when Juneau had assessed property values last. Representative Duncan said that it is conducted on a four or five year cycle. The City and Borough of Juneau is willing to pick up 1/2 the cost for the cost of the assessment referred to in the bill (all property eligible under the bill). Representative Duncan said that the City will help in the appraisal efforts and could add clerical support, etc.

Representative Duncan said he would like to take a closer look at the administrative cost in Personal Services (\$38,400). He felt that this amount may not be needed because there will be no administrative cost until the indemnification program begins.

Representative Duncan pointed out that any new property coming in under the program would be assessed by the Borough and not the State. He stated that he would look more closely at the administrative costs reflected in the current fiscal note in an effort to reduce the \$274,600 total. The fiscal note would be addressed if the pending motion to report out the bill passes. Representative Gruening then called for the question to Representative Haugen's motion to report out FCSHB 173 with incorporated amendments. The vote was as follows:

Question

Yeas: (3) Duncan, Haugen, Malone
Nays: (3) Naughton, Gruening, Buchholdt
Absent: (3) Cowper, Itta, Guy

And so, the motion failed, 3:3.

Representative Malone informed the Committee members present that he wished to include Representatives Duncan, Naughton, and Buchholdt on the subcommittee assignment for CSHB 173. When the subcommittee has reached an agreement on the bill, the Committee will schedule the bill for consideration by the full Committee at the earliest possible time. The fiscal note can be scrutinized and revised, if desired, in the meantime. There being no further discussion at this time, the Committee adjourned at 6:12 p.m.

Adjournment

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Proposed amendment to State Affairs Committee Substitute for HB 173:
Subsequently adopted by the Committee 4/23/75.

• Section 9. COMMENCEMENT OF INDEMNIFICATION PROGRAM.

department
The ~~authority~~ shall begin to process indemnification applica-
tions at a time to be determined by the Commissioner. In
making his decision to begin the indemnification program,
the Commissioner shall be guided by ^{one or more of} the following occurrences.

- (1) A ^{significant} decrease in employment in Juneau when compared
to a similar month in FY 75.
- (2) A precipitous decline in the market value of
property offered for sale in the City and Borough of Juneau.
- (3) A decrease to some figure less than 95% in the
occupancy rate for either owner occupied or rented dwelling
units.
- (4) The transfer of a Department or two or more State
Division
~~Agencies~~ to the newly selected capital site.
- (5) Other occurrences that indicate a decline in the
economy of the City and Borough of Juneau directly attribut-
able to the relocation of the capital.

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PROPOSED AMENDMENTS TO CSHB 173 - Juneau Indemnification

Section 9 Amendment previously distributed. Line 5 of amendment after "by" add one or more of

(4) Change "agencies" to "divisions."

Page 3

Line 8 (1) Amend to read: Residential property, both real and mobile homes, including land and...

Line 11 (2) Amend to read: Real property and mobile home property held for...

Line 13 after program, add new sentence as follows: All those structures listed as mobile homes by the assessor of the City and Borough of Juneau for property tax purposes and used as a residence shall be considered mobile home property.

Delete Section 3.

Line 25 - Reword: Business inventories and personal property other than mobile homes are not...

Page 5:

Line 5 delete [report]
insert program

Page 6: Between letter (b) and (c) insert the following:

(c) A property owner aggrieved by any determination of his assessment may appeal under AS 29.53.130 - 29.53.135.

Re-letter (c) to (d)

Deleted by (~~-Add the following sentence: -A determination of--
Committee 4/23 (~~-the board of equalization or subsequently by the--
(~~-commissioner is final-----~~~~~~

Inserted by (Page 6, Line 9 add the following: "A property owner
Committee 4/23 (may appeal the final determination under AS 29.53.140."

Delete all of subsection (d) under Section 13 Page 6.

HOUSE FINANCE COMMITTEE
Thursday, April 24, 1975
11:40 a.m.

All members were present with the exception of Mr. Guy. Also present were Representatives Anderson and Davis.

PRESENT

SENATE BILL 66 (Supplemental - Public Safety for vehicle mileage) SB 66 was brought up for consideration. Mr. Malone said that apparently the shortcoming was discovered fairly early in 1975 and the decision was made by the Department to go ahead with mileage and come in with a supplemental. Although noting that he had some reservations about their not having originally curtailed and controlled the mileage when they first discovered the shortfall, he nonetheless felt that they probably really did need this money now, and not having it would pose a considerable problem.

Mr. Haugen moved to report SB 66 out of committee. No objection, so ordered.

MOTION

Meeting recessed at 12:00 noon.

RECESS

AFTER RECESS
April 24, 1975
1:30 p.m.

All members were present except Mr. Guy. Mr. Naughton arrived later. Other representatives present: Nels Anderson, Jim Huntington, Larry Davis; Also attending was John Messenger, Department of Law; Fred Boetsch, Deputy Commissioner of Revenue, Larry Eppenback,

PRESENT

The meeting was called to order to consider SSHB 297,

SSHB 297

Nels Anderson, Chairman of the Resources Committee pointed out the changes of the Resources committee substitute from the sponsor substitute: page 2, line 9 is amended; page 8 lines 6 to 10, dealing with the economic feasibility of marketing oil and gas in the future. Page 2 of the committee substitute has additional language added so that if any portion is challenged, that section would be deleted. It voids the rest in the event any portion of the exemption section is found to be invalid.

Referring to the March 18, 1975 memo addressing SB 276, a similar bill, Mr. Boetsch agreed they were similar in terms of the type of tax imposed and the problems involved in assessing the tax. The figures for administration are about the same but there would be some differences as to the amount of money available for general fund purposes. The projection would be reduced by the 2% turned over to the native corporations. There is a contingency fund for hiring of council if there is a challenge.

Mr. Cowper moved to amend the resources committee substitute for SB 297 on page 1, line 20 delete (a) after the word "exemption"; page 2, line 9-11, delete subsection B attached by the resources committee. Ms. Itta objected. He explained that he planned to introduce an amendment providing for a severability clause to allow a challenged section to be 'lopped' off instead of the entire bill failing. If the oil companies challenge the bill, the only part affected will be the chemic gas fields; he didn't feel they would go to that much trouble for just the chemic gas fields. He didn't think the provision was proper; that it made the bill a big liability and a big risk.

Mr. Messenger said the important thing to recognize is that the Bill is designed to generate needed revenue to the state in the next few years. If any particular provision of the bill were struck, they would still want the main thrust to remain.

Mr. Anderson noted the range of tax exposure was between \$89,000 and \$2.1 million. The amendment was to protect the

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regional corporations because it would be a tough tax to pay since they are just getting started. Mr. Cowper assured Mr. Anderson that it was not the purpose of the proponents of the bill to tax the native corporations. The oil companies have interests would be considered also; it doesn't make sense to bid on the Beaufort Sea Lease Sale then attach an exemption on the oil and gas lying under the land. Mr. Anderson said a severability clause was proposed in Resources Committee; was moved and defeated. SSBH 297

At Ms. Itta's request to know if Mr. Cowper had consulted with any of the native corporation attorneys; he said he heard Joe Josephson and a number of attorneys from other oil companies; he did not recall a specific adverse objection from an attorney from a native corporation as distinguished from the oil companies or lobbyists. Mr. Anderson pointed out the attorneys don't speak for the native corporations or make policy but do as they are told to do.

By rollcall vote the motion carried, with Ms. Itta and Mr. Duncan dissenting. Motion Carried

Mr. Cowper moved to amend page 1, lines 24 and 25; on page 2, lines 6-8, delete the whole section 5 and put in its place section 2 on page 1 "any interest exempted from taxation by, or acquired by an Alaska Regional Native Corporation MOTION

Mr. Gruening objected. After brief discussion Mr. Gruening moved to amend the motion to read "Alaska Native Regional or Village Corporation". There was no objection to the amendment and it was adopted. MOTION to Amend Carried

Mr. Cowper's motion was withdrawn without objection. Motion Withdrawn

Mr. Gruening moved to delete subsection 2, of Sec 43.58.020 and subsection 5 on page 2; and insert a new subsection 2: "Any interest exempt by taxing by the Alaska Native Land Claims Settlement Act, or acquired under said Act by a Native Regional or Village Corporation". There was no objection and it was adopted. MOTION Motion Carried

Mr. Cowper moved to amend page 7, line 28 by deleting "oil" the second time it occurs. There was no objection and the motion was adopted. MOTION Motion

Mr. Cowper moved to amend page 8, line 8 by deleting the words "if it is economically feasible to market it in the future" and replace with: "in the future under prevailing economic conditions and technology". There was no objection and the motion was adopted. MOTION Motion Carried

Mr. Cowper moved to amend page 8, between lines 18 and 19 by inserting "Section 43.58.210 SEVERABILITY. If any provision of this act, or the applicability thereof is held invalid, the remainder of this Chapter shall not be affected thereby. MOTION

At Ms. Itta's request he offered an explanation: this allows each part of the act to stand by itself. If attacked, only that part of the act would be deleted; it discourages it from being attacked on the basis that native interests are exempted because it will not do any good.

Mr. Anderson said one of the things most feared is that the native corporations will be open to the tax. He reminded the committee that these corporations represented people on the lowest economic scale of any people in Alaska. They can ill afford a tax in the early years of their development. There is no guarantee that the oil companies will not sue; and he must assume a court case will be won and work from that standpoint because of the people represented. Mr. Cowper felt they would be better off with the severability clause in if it went to court. Ms. Itta did not feel it protected the regional corporations at all. Mr. Gruening felt the clause was necessary and thought the court would look at it even without the clause as not affecting the whole act.

By rollcall vote, the motion carried with Ms. Itta dissenting, and was adopted by the committee. Motion Carried

Sec. 43.58.200 on page 8 was discussed; Mr. Gruening said payments were established to the Alaska Native Fund; but the fund wasn't established. Sec. 9 establishes the 2% royalties and includes not only royalties but covers rentals and bonuses.

Mr. Gruening suggested: "When a tax is levied under this chapter, an amount equivalent to not less than 2% of the tax shall be paid by the state from oil and gas royalties, rentals and bonuses into the Alaska Native Fund established by section 6,"

He said it doesn't raise the amount due, but may speed up the process of payment. The money may be paid sooner. If this tax comes into play sooner it will mean advance payments. One of the problems is no one knows how long it will take to pay off the state's obligation of \$500 million. And they are only obligated to pay it from bonuses, leases, royalties; they are not obligated to pay it from the tax. This is saying the state is willing to pay it from another source.

He moved and asked unanimous consent to adopt the amendment which would read: "When the tax levied under this Chapter is payable, an amount equivalent to not less than 2% of the tax shall be paid by the state from the oil and gas royalties, rentals and bonuses". MOTION

Following brief discussion, motion was adopted without objection.

Mr. Cowper moved to incorporate the amendments into a committee substitute, and to report Finance Committee Substitute for House Bill 297 out of committee. Ms. Itta objected. MOTION

Mr. Anderson said that he objects to the bill and firmly believes that passage of this bill will do a great injustice to people who

can ill afford it.

Ms. Itta said that she strongly objects to the bill. She spoke of the ways in which Natives all over the nation have been mistreated and been made to feel separate, and she viewed passage of this bill as indication that Alaska would be adding to that injustice.

Mr. Huntington expressed his objection to the measure, and said that he would not be so vehemently opposed had any other alternatives been considered. However, he felt that no one - finance committee, legislature, administration - has examined any other alternatives and he was convinced that there are some.

Following discussion, there was vote on the motion and it carried, 6-2, Ms. Itta and Mr. Haugen objecting. Committee report was signed with a majority "do pass"; not concurring were Reps. Itta and Haugen who signed "do not pass".

Meeting adjourned at 3:30 p.m.

ADJOURN

AFTER RECESS
April 24, 1975
7:25 p.m.

All members were present, except Ms. Itta and Mr. Guy. Ms. Buchholdt and Mr. Duncan arrived later. Other representatives attending the meeting were Representatives Davis, Osterback and Swanson.

PRESENT

Also attending were:

Dr. Marshall L. Lind, Commissioner of Education
Dr. Nat Cole, Deputy Commissioner of Education
George White, Acting Superintendent of ASOSS
Donald J. Wesley, Budget Officer, ASOSS
John Cooper, ASOSS Board of Directors
Ms. Carol Borg, SOS Teacher
Patty Ann Polley, Director of Elections
Terry Dale, Lte. Governor's Office
Ronald Lorensen, Assistant Attorney General
Stu Hall, Legislative Council
Bill Overstreet, Association of Alaska School Boards
Rich Listowski, Alaska Federation of Natives
Rich Guthrie, Fiscal Analyst, Legislative Finance

The meeting was called to order for consideration of CSSSHB 24, relating to public education in the unorganized borough. Mr. Malone introduced Mr. Gruening as chairman of the subcommittee on Education.

CSSSHB 24

Mr. Gruening noted one of the problems at the last meeting to be that they were looking at the fiscal note for the first time. He had cleared that up and also asked SOS for a fiscal note. Their impact was almost identical to that in the fiscal note prepared by the Department of Education. Both SOS and the DOE appear to be in agreement as to the fiscal impact of decentralizing SOS.

He did not think SOS had actually calculated the formula funding, but had used the Department's figures--the process by which that was calculated appears in the fiscal note. After adding in the formula of funding and adding a \$1 million contingency figure, it is pretty much the budget for the dissolution of SOS.

Referring to the discussion of bilingual programs, and the impact on the general fund; it was hard to calculate because the number of students in the districts is not known. The \$462,000 is probably high because the districts will very likely not have their plans of service in in FY 76. The amount of \$56,000 was suggested, but the figure of \$100,000 is probably closer. He did think the contingency fund of \$1 million was needed.

Mr. Wesley described how he arrived at the \$1 million figure: It is the estimated costs of the line items \$29 million less the funding sources. The funding sources are revenue such as categorical federal grants, lunch sale revenue, federal lunch program, P.O.874 revenue. The total budget figure covers approximately 8,000 students.

Mr. Malone pointed out the memorandum from the Lte. Governor's Office regarding the election of regional school boards, and the suggested change. Ms. Polley referring to page 6, line 22 of the Bill stated there would be problems in areas where mail is irregular, getting candidates filed and names printed on the ballot. A 60 to 90 day time frame would be better.

(Ms. Buchholdt entered the meeting).

CSSSHB 24

Mr. Malone read the suggested language: Page 6, line 22: After "within" add "now less than" and after "60" add "nor more than 90."

Ms. Polley added that there were 39 second class municipalities which hold elections at other times than the first Tuesday in October, and recommended the elections be held on the same date. Mr. Malone read the suggested language in the Lt. Governor's letter relating to that. Page 6, lines 27 and 28, delete the following: "at the time of regular municipal elections under AS.29.28.020." Ms. Polley said she would like to set the date on the first Tuesday in October.

(Mr. Duncan entered the meeting).

Mr. Naughton wondered whether there would be any response where the regular election was not on the first Tuesday in October. It was a good date from the administration of elections standpoint, but he questioned the effect on the turnout.

Mr. Malone raised another question from the previous meeting. Why not have the ASOSS School Board carry out the transition. Mr. Gruening said foundation funds normally go directly to the school districts and neither the Department or legislature has much say in how they can be expended. Dr. Lind said it was their feeling that the SOS Board should most logically be the body in charge, since they are more in tune with the unique problems in the areas they serve. They recommend the language be changed to insert the SOS Board of Directors.

Mr. Gruening said he had prepared a proposed amendment to change the language of the Bill to provide for the SOS Board to act as a transitional board. Some of the subcommittee discussion dealt with what they may accomplish by having the State Board be the body of transition. He felt they were centralizing the function during the transition period more than it might be otherwise. They do have regional representation so to a certain extent, the way it presently reads, there is a tendency toward centralization. Arguments can be made on both sides. Some of the changes in the last month have indicated that the SOS Board might more logically be the board of transition. Mr. Hall said technically the amendment could be made, but what the affect would be was something else. If the SOS Board continued for another year, all that exists in Chapter VIII could not be repealed, it would have to be rearranged. Instead of the debts going to the general fund on July 1, 1975 it would occur July 1, 1976. There would have to be some provision for picking up the debts for the SOS. he same thing applies to the transfer of state and federal funds. It would occur July 1, 1976. It would take time to make sure these dates were in the right places throughout the Bill.

The Chairman invited testimony, but there was none at this time.

A recess was called before beginning the worksession on the Bill. Mr. Malone said he would like to dispose of the subject this evening if it was within the power of the Finance Committee to do so. Recessed at 7:50 p.m.

RECESS

AFTER RECESS
8:20 p.m.

Mr. Cowper was not present when the meeting was called back to order.

The Chairman called the Committee's attention to the proposed amendments in the April 15, 1975 memo from Mr. Hall, Amendment I., and the memo from the Lte. Governor's Office dated April 24, covering the same portion of the Bill.

CSSSHB 24

Mr. Gruening moved and asked unanimous consent for the adoption of the amendment: page 6, line 22, after "within" add "not less than" and after "60" add "nor more than 90". There was no objection to the motion and it was adopted.

MOTION

Motion
Adopted

Mr. Malone read the second suggested change of language in the Lte. Governor's letter and asked for the wishes of the Committee. Responding to Mr. Naughton's question, Ms. Polley said they do anticipate problems but feel they can cope with them. Mr. Hall added that there would be less of a problem if the balance of line 27 were deleted.

Mr. Naughton moved and asked unanimous consent to strike the balance of the language after the word "October" on line 27, to the end of the sentence. There was no objection and the motion was adopted.

MOTION
Motion
Adopted

Continuing with the April 15 memorandum from Mr. Hall, the amendment which added a new Section between lines 18 and 19, on page 26, was discussed. (This memo and all others referred to are in the Bill file). This amendment was suggested by the Department of Education and Representative Swanson, and would require the State Board of Education to designate the members of the Board of Directors of the SOS, as an advisory board to the state Board of Education and as a board of control... Mr. Swanson suggested that the word "may" be changed to read: "The state Board of Education shall designate..."

Mr. Duncan asked how this proposed amendment related to Mr. Gruening's; the Chairman said there were two alternatives presented to reach the same goal.

Mr. Gruening cited the example of school construction in the unorganized borough. In part, the problem is due to two agencies who would neither take responsibility. He felt this could have been avoided if one agency had been in charge. He does not feel it is clear who has the responsibility for the transition; that it will be "tough", and that the SOS Board is more familiar with the problems. He said that if the Committee did not feel SOS could presently be trusted, then perhaps this amendment should be adopted.

Mr. Duncan expressed the opinion that Mr. Gruening's amendment was much cleaner and accomplished the same thing.

Mr. Swanson said that by changing the word "may" to "shall" gives absolute direction during the transitional period. It is a positive approach, vs. the other amendment of delaying it another year. He has a fear of delay and wants to begin July 1, 1975; he felt it would jeopardize the concept to set it back one year. He thinks this is what is expected by the people.

Mr. Malone moved to adopt the amendment proposed by Mr. Swanson and the Department of Education with the change of the word "may" to "shall".

MOTION

Mr. Gruening explained that the date of transition is a statutory deadline and felt the transition would be smoother if the present SOS were handling it. With the two boards working together he thought there might be a lot of "fingerpointing" and nothing done.

John Cooper, SOS Board of Directors member, said they are dedicated to the decentralization of SOS to the local districts. They feel quite capable of