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amount is \$1,874,600 for salary increases which were appropriated last year, but centrally rather than specifically to the social services category. Conversely, the figures also reflect a decrease of \$3,145,000 caused by the transfer of Pioneers' Homes back to Administration. Therefore, the adjusted comparison figure is an increase of \$3,509,200 of which \$1,731,500 are federal funds, \$2,128,200 are State General Funds; and all remaining types of funding decrease by \$350,500 (primarily inter-agency transfers).

The major items causing this 10 1/2% increase are:

1. Assistance Payments where the increase is \$1,988,100. This is not a real increase as the Governor is requesting a \$2,721,500 supplemental appropriation for the current year in this program. We are expecting the results of our quality control, fraud investigations, and soon to be implemented child support enforcement unit to be instrumental in keeping payments down, even while caseloads may increase.

2. Program Services where the increase is \$1,057,800. This, too, is not entirely a one year increase as the Governor is requesting a \$221,800 supplemental appropriation for the current year. The increase is caused by increasing rates paid to full cost of care institutions and to meet unmet needs in Foster Care and Day Care.

3. Social Services where the increase is \$136,100. Primarily this is all transfers-in; however, some of the transfers are from the Pioneers'

Homes program which has been entirely deleted from this Department's budget thereby causing the transfer-in to appear to be an increase.

4. Family and Children Services administration where the increase is \$263,700 even though some of this year's budget has been transferred out to other programs. The reasons for the increase are: (a) The reimbursable service agreement with the Department of Law was omitted from Health and Social Services' current year appropriation even though Law's appropriation did contain the positions to be funded by receipts from Health and Social Services. For next year, we need \$141,200 in order to receive federal participation on our legal costs, and (b) The administration proposes to contract for a major social service organization study and operating plan to better meet today's social service needs. All program expansion in this entire category has been held in abeyance until such a plan is established. The cost of this study is estimated at \$200,000.

The remaining \$635,000 increase is made up from all remaining programs - some up and some down from the current year. The decreases are mainly caused by less federal funds being available for certain programs and the increases are necessary to implement federal requirements in the areas of audit, control, fraud, and civil rights or to strengthen departmental administration on eligibility determination and budgetary analysis, as well as attempting to keep pace with the staggering inflation which has effectively reduced our appropriation and program accomplishments under what was contemplated by the last Legislature.

HOUSE FINANCE COMMITTEE
Tuesday, March 11, 1975
1:30 p.m.

All members were present except Messrs. Duncan and Cowper.
Others attending the meeting were:

PRESENT

Avrum M. Gross, Attorney General
Bob Schroeder, Administrator, Department of Law
Mike Clemens, Fiscal Analyst, Budget and Management
Diane Conyers, Legislative Audit
Sumner Putman,
Alaska Public Radio representative

This meeting was to hear the Department of Law programs in the Justice category. The Chairman also asked for comments on the Public Protection portion of the budget.

JUSTICE

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LAW

Prosecutio

Mr. Gross related that the Prosecution element maintained offices in Ketchikan, Juneau, Nome, Kenai, Anchorage, Fairbanks and Kodiak. Four positions are under the pipeline budget. Most of the request is for a maintenance budget with certain exceptions: They have asked for two positions in the South Central District because Anchorage is having problems.

Anchorage has sixteen district attorneys and assistant district attorneys. One travels throughout the South Central Region and it is becoming inefficient and case loads are building. The two positions in that area are to have one man serve Kodiak and one serve Bethel and thereby free up the man who is currently traveling. Anchorage would actually be increased by one.

Fairbanks has requested an additional assistant district attorney because the case load has increased substantially. There is a pipeline study to indicate the impact on crime. The study is not complete, but crime has increased in the State since the pipeline commenced.

No additions have been requested for Nome or Kenai, but in Southeast Alaska they are requesting another district attorney for the Juneau office. Sitka wondered if the district attorney should be there, but the statistics do not justify him being there at this time though the overall statistics for Southeast justify him being added.

(Mr. Cowper entered the meeting).

There was discussion on the two positions requested to serve Kodiak and Bethel. Mr. Malone thought there was a conflict between the Attorney General's statement and the analytical statement in the budget book; Mr. Schroeder said in FY 74 Kenai was serving Kodiak; in FY 75 they requested the attorney to spend his time between Bethel and Kodiak to free up the Kenai district attorney. Presently one man is traveling all the time. Kenai was traditionally established as a separate office. It was not known who would fill these two positions.

The district attorney asked for in Juneau may go to Sitka, depending on the case load. Sitka people feel strongly he should be there now, but Mr. Gross did not want to make a commitment until the new facilities were available to house him. Right now he will be traveling and handle Haines, Sitka, Akagway and other towns in Southeast Alaska.

1st Judicial
District

Chairman Malone asked what sort of demands were being made on prosecution; Mr. Gross replied that he was most familiar with the Juneau area, where the people were working literally night and day and weekends, and desperately need help. In the case of Anchorage and Fairbanks, he has to rely on their information and they both indicate that a similar situation exists. They are particularly unable to cope with misdemeanors. They pleaded with him to send help to Anchorage.

Mr. Cowper asked if the increases were because there were more going on or the entry of the Public Defender into almost every level. Mr. Gross replied that things did tend to get bogged down in adversary proceedings now. Mr. Schroeder could not tell them the number of misdemeanor trials last year. The Attorney General said there had been discussion of putting a trial program on the AJIS indicating how many cases; disposition, which has not been done before. He told Mr. Gruening that it was his impression that more city charges were being tried by the State.

Mr. Gross thought the increase in people was the cause for more misdemeanors, not that there was an increase of crime. The increase of felonies was only 3-4% and they had anticipated 7%.

Mr. Haugen asked if the pipeline related positions are monies provided from Alyeska, and Mr. Schroeder said he thought they were from the Pipeline Impact Funds. Ms. Buchholdt asked if Alyeska cooperated or had their own personnel to take care of crime control along the pipeline; Mr. Gross replied that he understood Alyeska had some security guards but they are under contract and have a limited function. Mr. Malone remarked that the pipeline budget didn't make much sense to him; and Mr. Schroeder mentioned that there was a problem identifying each individual and why they are there; they had a hard time trying to get an indication of pipeline impact. He told Mr. Guy there were no figures on the increase of crime in the Bethel region. Mr. Gross said they hoped to be able to present a complete set of figures by area to next year's Legislature. It should be set up on a computer printout. He said Joe Balfe could come down from Anchorage if the Committee desired a further analysis on the kinds of cases handled. Mr. Schroeder emphasized that some cases are multiple offences but handled as one case; there could be six offences and two trials.

Pipeline
Prosecut.

Mr. Malone pointed out there was no analytical statement on the assistant district attorney for criminal prosecution; Mr. Schroeder said he was still thought of being in the pipeline budget then they were going to put him into the operating budget and during the process, he was kind of lost.

The Chairman asked how the Assistant Attorney General program worked in the First Judicial District; Mr. Gross replied that he did the administrative work related to criminal justict; he does all the LEAA work for the Department; is writing any work on inhouse training as opposed to going outside to school-- he wants to establish an ongoing program here. He has gone to Anchorage during their swamped times and partly to give him experience in handling criminal cases. The Attorney General said there were some changes he would like to make in the Department of Law next year, particularly in the criminal field; the Department is not very well organized administratively as far as criminal justice is concerned. They need someone to coordinate the various district attorney offices in the State. Right now they are all little "fiefdoms." This position was shifted from the pipeline budget which is why the budget looks increased.

First
Judicial
District

There was further discussion on the two district attornies in Kodiak and Bethel. The two attornies would live in those two areas; however, if it was slow they might shift to Anchorage to help out if there was need.

Third
Judicial
District

To the Chairman's question on what extent the pipeline impact might be temporary and what extent it would be permanent, Mr. Gross said their study would try and determine the length of the impact. The Chairman requested a copy of the report, commenting that the pipeline costs should be based on what the State needs not some arbitrary idea; that it was sometimes a mistake to separate the two programs. Mr. Gross said he assumed there was some reason for it being set up this way. Mr. Malone added that when funds were separate there was a tendency to place those funds in the same area of computation.

Pipeline
Prosecuti

In response to Mr. Guy's question, the Attorney General explained that the Criminal Justice Planning Agency tries to insure that the plan--of which the Department of Law plays a part--is directed toward reducing crime in the State. The reduction of crime is only one facet of LEAA, and the District Attorney's Office gets only a small portion of money. It is purely a federally funded program.

The Chairman asked Mr. Gross to outline his part of the Public Protection category. Mr. Gross said the Consumer Protection Agency is headed by Stan Howitt, who has an associate attorney under him; there is an attorney in Southeast Alaska and another associate attorney in Fairbanks. Consumer Protection Offices are maintained in Juneau, Fairbanks and Anchorage. The budget request is purely maintenance with the exception of a request from Mr. Howitt for a mag-card typewriter. Their biggest bottleneck is in the secretarial work. That is the only increase in the budget this year.

PUBLIC
PROTECT.
Consumer
Protect.

There is also a request for a Tariff Analyst, the total amount would be \$60,800. At the present time there is no one who has the expertise to monitor the transportation rate increases and others. The job is presently being done inadequately by regulatory bodies or rate commission. There is the possibility of

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combining this proposed Tariff Analyst with someone who could also analyze the proposed tariff on the pipeline which will be a difficult task. He would rather do these things in-house then contract for them. Developing this capacity would also develop a pride in State government. If the Legislature adopts the anti-trust bill they will probably come back with an expanded Consumer Protection budget.

Consumer
Protection

Mr. Haugen recalled reading an audit report that said only 40% or so of the budget was accountable for; Diane Conyers, from Legislative Audit clarified this by saying that there were no people budgeted for in Fairbanks and their time was being charged to another area--it was basically an accounting error.

Referring to the proposed Tariff Analyst, Chairman Malone mentioned that there appears to be no one keeping track of costs that might be involved in a pipeline tariff; there is little attention given to those items that will be charged back. At 400 million barrels of oil through the line per year, if some one could save us even 1¢ per barrel on the royalty or well-head value, that would be \$4 million a year. If the information is not available to argue Alaska's side of the case, we may be in bad shape. A million dollars could be spent between now and then to keep track of these costs and we would still come out ahead. The Attorney General added that we will have to protect our own interests. (Messrs. Cowper and Naughton left the meeting).

The Chairman asked to what extent the Department of Law was impacted by the increase in the enforcement activities; particularly the State Troopers. Mr. Gross answer that if they spend more time making cases, their office would probably spend more time prosecuting. He remarked that there had been the suggestion of a white collar task force for the purpose of prosecuting those sophisticated type crimes. Their activities would directly impact prosecution; the Public Defender's Office affects prosecution.

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Mr. Gross explained to Mr. Gruening, that the Deputies for Civil Justice and Criminal Justice were abolished shortly after statehood because the numbers of people did not justify that type of structure. Now the Department of Law has about 80 employees. There is a Deputy directly under the Attorney General, but about 95% of his time is spent on Civil matters and 5% on the District Attornies. The only time they hear from the DA's is when there is a crisis. The Attorney General should have more direct administrative control, and it is extremely difficult for him to leave now to find out from them what is happening. Mr. Gross has become sensitive to the need for communication between offices and the coordination of efforts toward uniform policy. He is trying to creat a deputy whose sole job is to do this and he can deal directly with him. Mr. Gross' opinion is that it is undesirable to have the district attornies offices run autonomously. The money taken out of the pipeline prosecurity is for this Assistant Attorney General, who handles criminal administrative matters and has no control over the DA's Offices.

(Mr. Naughton re-entered the meeting).

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Mr. Gross continued, saying that the new position would have authority over the district attorneys which it does not now have; it is purely conceptual at this time.

Prosecution

In answer to Mr. Haugen's question on the relation of what we spend as compared to other states; Mr. Gross replied that other states have legal departments and their budgets spread out through many levels of government; for example a fish and game department might have their own attorney. In Alaska, all attorneys are in the Department of Law. Many states also have elected district attorneys. He did add that one lawyer had been assigned to the Fish and Game Department here; an assistant DA in Anchorage will coordinate all civil and criminal prosecutions through Fish and Game. It's only one person now; they hope to have a section eventually.

Ms. Buchholdt asked about the Consumer Protection Budget, saying that she gets calls from the Anchorage Office. Mr. Gross explained that in last year's budget they did not get all the money requested, and Mr. Howitt was anxious for him to go in with a supplemental appropriation. Mr. Gross asked Mr. Howitt if the need was any different than that he had explained to the Legislature last year; he said it was not, and Mr. Gross told him he thought he should live within the budget set. He commented that they are highly publicly motivated, but unless something "absolutely horrible" happens, Mr. Gross did not intend to submit any supplementals.

PUBLIC PROTECTION

Consumer Protection

The Chairman announced a meeting with Region 10, in the Governor's conference room, at 3:30 p.m., today.

The meeting was recessed at 3:00 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
Wednesday, March 12, 1975
7:07 p.m.

All members were present with the exception of Messrs. Duncan, Gruening, and Cowper. Also present were Representative Ramona Kelley; Commissioner Ed Orbeck of the Department of Labor; Boyd Karrer, Director of Occupational Safety and Health Division (OSHA); Mr. Russ Molt of Pressure Vessel Inspection; Al Gordon; lobbyist Dwayne Carlson; Mike Clemens of Budget and Management; and additional Department of Labor and legislative staff.

PUBLIC PROT

Chairman Malone called the meeting to order at 7:07, announcing that the committee would be discussing OSHA programs. Mr. Karrer said that OSHA was established by statute to comply with the federal mandate that the state either come up with standards as good as the federal government or the federal government would take over. At the present time OSHA is enforcing safety standards promulgated by the Department of Labor throughout the state. They have five high hazard industries: construction; logging; roofing and sheet metal; longshoring; and meat cutting. Over a period of years these have been determined to be the high hazard industries within the state. In the summer they concentrate almost entirely on the construction industry. They are operating with 14 enforcement positions within the state. Their intent through this inspection process is to get compliance with the state's safety standards. They would prefer that the employer would comply with safety standards voluntarily. They do have enforcement powers through penalty procedures. Penalties are distasteful to the employer. The state is not particularly pleased that they have to penalize monetarily, so they also have a system whereby OSHA will go out for the purpose of giving an inspection with no fear of penalty or citation for a period of two weeks following the inspection. They do this on request, and these are normally businesses that cannot afford to hire private consulting services. The state services are designed to point out hazards but when it comes to engineering methods to correct the problems, the state does not take part in that. They have a staff of 50 people -- 15 compliance officers -- which is approximately half of what they need not only because of the Pipeline but because of the spin-offs of the Pipeline; i.e. home construction and offices to meet the needs of the growing population attributed in large part to the Pipeline. They are doing the best they can with the staff they have. They are hoping to get some additional positions. At the present rate of inspection throughout the state with the number of licensed businesses as of 1973, they can only inspect every business once every eight years; but, since they are inspecting the high hazard businesses more often, they are getting to the others maybe once

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OSHA

every 15 years, if even that. Their emphasis is on high hazard. Mr. Karrer invited the committee to ask him questions, as he "did not want to confuse you [them] with a lot of information".

Mr. Malone commented that of course the biggest industrial activity right now is concerned with the TransAlaska Pipeline, and he wondered what sort of enforcement activity they have going on with the Pipeline and wanted to know how that is handled.

[Mr. Cowper entered the meeting.]

Mr. Karrer said that they are not concentrating on the Pipeline inspection nearly to the extent that they are in some of the other construction activities in the state because associated with the Pipeline are management contractors with the responsibility for safety. They have safety specialists in every camp. They do have a lot of safety problems but they have people to help handle them. He said that they do sometimes slack off but their safety inspectors are highly qualified. OSHA is more concerned with the businesses that do not have people coming in -- high rise structures, for example, going up in Anchorage and Fairbanks. They have six compliance officers who are assigned to specific Pipeline related areas, and two weeks a month there is a person in Valdez. They have requested a compliance officer position to be stationed in Valdez. He said that they feel if they have a person there on the grounds at all times they can assure greater compliance activity. They do not have a person stationed at any other point along the Pipeline. The others work out of Fairbanks and Anchorage and a two-man team operates out of Kotzebue. He repeated that they are not concerned particularly with focusing on the Pipeline itself. They feel that in other communities, where there is a great deal of concentrated construction occurring now they are in much more need of compliance inspections. Mr. Malone said then they have 15 enforcement inspection officers and they are in a state of continuous motion, and Mr. Karrer said yes. Mr. Malone asked what degree of compliance they have been getting from the contractors in the industries Mr. Karrer referred to. Mr. Karrer said that it is improving. He could not tell what degree because the public relations program at the beginning of OSHA was so poor. They have a stigma against them because of the federal program. However, since April of last year, he said that he has been concentrating on a public relations program and has been talking to any interested group about the program to try to overcome their fears. He said that many of the businesses do not request the inspection offered because they are afraid of "being nailed". Therefore, he made the administrative decision that after a voluntary inspection no one would be cited until after a two week period during which time they would have the opportunity of correcting the situation. He said that Alaska is one of the very few states with such consulting services. In fact, because of Alaska's voluntary compliance program and the high degree of professionalism in the

compliance section, Alaska is considered a model state.

[Reps. Gruening and McKinnon entered the meeting.]

Mr. Malone asked what sort of compliance they are getting from the construction people. Mr. Karrer said that they are getting good cooperation now. They can enforce compliance with penalty procedure (they penalize 83% of what the Feds do, but the employers still feel it is very high). They only use these penalties when they feel penalties are the only way of enforcing complaints. He said that they "really care about safety and their problems, so the stigma associated with OSHA is much less than in the past". Mr. Malone asked, then, if they think the cases where they have had consultations with a particular business or contractor that they try more rapidly to comply with the standards. Mr. Orbeck said that they have proceedings for the contractor or business to protest a citation if they are given one. Within the first 15 working days following issuance of a citation or penalty they can request a chance to present their side. Sometimes a citation may be adjusted then, or a penalty removed. There are people who complain, but now that they are finding out OSHA is not being so "hard nosed" the response is much better.

Ms. Buchholdt asked for a description of what they do under Research. Mr. Karrer said that Research and Analysis personnel work on the federal statistical programs required by the Feds. They don't do any research as such. Ms. Buchholdt asked what the difference is in Planning and Standards. Mr. Karrer said that they plan the standards -- they set plan to set up meetings for developing standards, having public hearings on standards. They start from scratch in many instances or they may use federal standards as a basis. Then they hold public hearings and they use the input from that, from management, from organized labor and from individuals in coming up with their standards. They have to be, by law, as effective as the federal government.

Ms. Buchholdt referred to the supplemental budget document, page 228, where it says that due to federal audit exception, pressure vessel, plumbing, and electrical inspection which have heretofore been funded under OSHA will have to be 100% general funded. She asked for an explanation. Mr. Karrer said that federal audit determined these areas of inspection to be incorrectly placed under OSHA. None of these activities are covered by federal standards and so the Feds will not fund any part of those standards. Positions involved include four pressure vessel engineers, one plumbing and one electrical engineer. Ms. Buchholdt asked if they aren't working in cooperation with OSHA. Mr. Karrer said that they had hoped they could do both, but it didn't work out that way. Mr. Orbeck said that as a result of their experience they have found that they could not do their normal duties and still act as regular safety law compliance inspectors, so the Feds feel that they should not be funding any portion of their salaries since they are not working toward

enforcement of federal requirements.

Mr. Duncan inquired about their aid to municipalities in setting up safety programs. Mr. Karrer said that the program they conduct for any political subdivision is basically the same as any other employer. On their request, they tell them they will help set up a safety committee, safe conduct rules, help them set up safety meetings, hold consulting inspections. Most of the larger cities and boroughs have safety specialists now and many of the people have been trained by OSHA people. All of these training programs for employers and employees are on a voluntary basis and are done at no expense to the employer. Mr. Duncan asked if they approach political subdivisions on this voluntary training. Mr. Karrer said that they need to do more consulting work for the employers. One of the methods they use to get requests is to have a consultant visit municipalities throughout the state, tell about the programs, and ask if they would like to request their services. Mr. Duncan asked if that is the same thing they do for industries, and Mr. Karrer said yes. He explained that the reason they seek out requests from people is that they are subject to federal audit and they have stated that people have to have requested these services in order to be eligible for federal funds.

Mr. Cowper noted their request for three industrial hygienists and the governor's allowance of 2. He asked where they will be. Mr. Karrer said that they concentrate on health problems associated with a business. Mr. Cowper asked what they do specifically. Mr. Karrer said that they take air sample, samples of materials that could be toxic and that sort of thing. He gave the example of a dry cleaners being cited because of excess dust. Mr. Cowper said then in other words the need for these is spread throughout the economy; this is not just for Pipeline work, for instance. Mr. Karrer said that is correct. It doesn't make any difference where the business are. They have had people from Prudhoe Bay to pulp mills and dry cleaners. Mr. Cowper asked how many of these positions they have already and Mr. Karrer said one. Mr. Haugen commented that while they are at it they ought to do something about the exhaust from the airport buses. Mr. Karrer said that that would really would not come under OSHA and although they could take an air sample there would be question as to the legality of citing them. He said that they are also concentrating on testing of noise levels. He said that they can't protect the consumers, as that is not their function, but they can protect the employees.

Mr. McKinnon raised a question about the vehicles in this budget, and suggested the use of a motor pool. Mr. Karrer said that his thinking is that every one of their people is assigned quite a lot of equipment that they must carry with them. If they had a motor pool system, he had some question as to whether or not it would be more economical or not, in addition to which the

equipment would have to be moved out of the vehicle. He felt that from the standpoint of the amount of equipment and waste of time involved he did not think that would necessarily be best. He did not think a motor pool would be an asset.

Mr. Naughton asked about the make-up of people in the safety inspection section. Mr. Karrer said that there are 15 compliance officers, assistant director, one other person working in administration, and the rest of the people are clerical. Mr. Naughton said that he assumes that the clerical types in the office are involved in preparation of compliance reports. Mr. Karrer said that they type citations and things like that. There is one position working in an administrative capacity to the assistant director, reviewing inspection reports to insure that citation numbers are current. Then the clerical types type the citation. They must be out within 72 hours after the report is finished. Everything goes out of the office by certified mail. The clerical staff processes these and they also handle accident reports. OSHA gets a copy of every accident report going to Workmen's Compensation.

Going back to the research section, Mr. Naughton noticed there are four people in that section. He asked the breakdown of those people. He was told that in that section there are three statistical clerks and one manpower economist. They are in the process of developing a manpower data system, which would be computerized.

Mr. Naughton asked how often they inspect the longshoring industry. Mr. Karrer said that they can't give a particular time period. They only deal with the dock side of longshoring. Everything else comes under maritime law. They have inspected everthing at Prudhoe Bay, Valdez, a lot in Anchorage, southeastern, Nome... As for State Inspection, Mr. Karrer said that they do not have State Inspec. time to do compliance inspections under OSHA. They have more than enough to do without doing that. Mr. Naughton asked if they were trained in the OSHA regulations, would they still not be able to come under OSHA, and Mr. Karrer said they would not because they would be doing inspections under state safety standards. Mr. Orbeck explained that this has been the problem. Pressure vessel inspections were under OSHA in previous budgets. They have now gotten direction that this cannot be included for OSHA funding. OSHA has been audited, and some positions charged to OSHA can no longer be. There is to be a new section called Safety Inspection to include pressure vessel, plumbing and electrical inspection, as mentioned earlier.

Mr. Russ Molt, Chief of the Pressure Vessel section, said that his staff is composed of nationally licensed specialists in this area (pressure vessels). When they are in the field, they

examine the various types of pressure equipment, plumbing and electrical operations. He said that if they see a guard off a machine, or something that looks like it needs chemical analysis, they call OSHA and alert them to the situation. There are in excess of 30,000 operational units in the state. This number is increasing by about 1,000 per year. He spoke of an additional phase of their work, which involves Alaska hire. They are encouraging the increase of Alaskan manufacturers qualified to build boilers and pressure vessels, under ASME (American Society of Mechanical Engineers). In response to questioning, Mr. Molt said that the State Inspection unit is not doing OSHA inspections because they do not have the time. If they were they could come under DOL OSHA funding. He spoke of the workload that his office is faced with and the difficulty in filling vacant positions. He said that there are 2,345 licensed pressure vessel engineers in the United States and Canada now. He has two vacant positions now which have been converted to OSHA positions because he could not fill them. He said that the number of inspections by the people in his office far exceeds the national average per person. Work is performed under a uniform law, the same in every state in the nation. Alaska's pay range for these positions is not really competitive with those down south -- and, as he mentioned earlier, the workload is greater.

Mr. Cowper asked about radiation testing under OSHA, and Mr. Karrer OSHA said that they contract with Health and Social Services for this because the need is minor even though they feel it is necessary. Mr. Naughton said that he had noticed their contractual services was increased and he wondered if this was part of the reason for that. Mr. Carrer said that it is. Mr. Naughton asked what H&SS charges, and Mr. Carrer said about \$30 an hour.

Mr. Duncan asked about the difference between occupational compliance officers and safety officers. Mr. Karrer said that they are the same thing but there is a difference in starting salary under TriTrades. Mr. Duncan asked if their exact purpose is making sure that safety requirements are being met, and Mr. Karrer said yes. Mr. Duncan asked whether their responsibility carries through legal proceedings or do things ever go that far. Mr. Karrer said that on actual safety matters, they have had one go to the superior court, and under the old regulations in 1969 a case went to the Supreme Court. Those are the only two that have actually gone that far. The Attorney General's office acts as their legal counsel. He commented that they do have informal board reviewing procedures on cases.

Mr. Duncan asked how long it takes to do a normal inspection. Mr. Karrer said that there is no average because the amount of time is dependent on the business. A pulp mill may take two weeks and a small job may take half a day. A service station can be inspected

in an hour. A business with "satellites", such as storage houses, will take longer because they all have to be done. Mr. Duncan said that he was wondering how to justify that increase in staff. Mr. Karrer said that when they are doing an inspection, the work is not completed when the inspection is over. They may spend four hours at a business, but then it may take 1 1/2 days to write a report on even such a short inspection. This really multiplies the time when there is, for example, a 2 week inspection such as one recently in Bethel. It took 8 weeks to get the report ready because there were so many violations (This was the City of Bethel and one of the drilling outfits). The office time sometimes far exceeds the investigation time.

Ms. Buchholdt asked what the training program for inspectors is. Mr. Karrer said that an inspector is required to have a minimum of 6 years in a craft or trade of which 2 years must be supervisory. S/he must be a specialist in that industry. They send people back to federal training school in Chicago for 30 days and after that they have constant training. These people are put through special programs in almost everything, and are in a state of almost constant training. Before going to Chicago they go through a minimum of 30 days field training with another compliance officer. As an example of the kind of training they have, Mr. Karrer said that recently they had a 5 day explosives course.

In response to Mr. Gruening's questioning about the Planning and Standards section, Mr. Karrer said that they research federal standards and registers for the constant changes occurring. Mr. Gruening was concerned that there was duplication between that section and Research, but Mr. Karrer assured him that there was not. The Research and Analysis people are not involved in the researching of standards at all. Mr. Karrer spoke of the entire section and the concern with effective utilization of time. The data system they are establishing will deal with all of the components. Each section has its own criteria for evaluating their people. On the Research section of OSHA, he said that this is in a way separate from the actual OSHA budget because it is funded under separate contract although it is still federally funded. The funding is not because it is OSHA related, however. Amounts included in this budget would be pending actual receipt of contracts from the federal government on a matching basis. This is for providing information to the federal government. Mr. Gruening asked if this is still 50-50 match, and he was answered that some is 50-50 and some is 90-10.

Mr. McKinnon asked about the funding of the Review Board, and Mr. Orbeck said that it is in the administrative portion of the budget. Mr. McKinnon asked what the connection is between OSHA and the review board, and Mr. Orbeck said that when an employer contests, a complaint is processed through OSHA and a copy sent to the

employer and to the review board, and from then on it is in the hands of the review board. Mr. McKinnon asked if they are independent of OSHA, and Mr. Karrer said yes. It is directly under the Office of the Commissioner.

Ms. Buchholdt, inquiring about field inspections, asked if the inspectors are assigned a special beat or are they rotated. Mr. Karrer said that they have one man in Kodiak and he takes care of everything around that area. They rotated him once to Fairbanks for two weeks. They do not rotate them as much in wintertime as in summertime. They will move a logging industry person up to get involved with construction or longshoring at some point; this is all part of the field training. They develop competence in several areas.

Mr. Bowman expressed his concern about boiler inspections and the Pipeline. Commenting about Mr. Molt's earlier remarks as to the difficulty in finding people willing to come into the state to fill positions in his section, Mr. Bowman said that he is more interested in seeing training for Alaskans so that Alaskans could fill those positions. Mr. Molt said that he agrees, and the need for people will increase because they do anticipate increasing numbers of pressure vessels; for example, the modular units in Valdez with heating system with cast iron boilers. Each of these requires periodic inspection. He commented that there was recently a fatality in Fairbanks not directly related to boiler inspection, but it was a pressure vessel and should have been inspected; his people were not even aware that it was there. They have only two men in Anchorage and one in Fairbanks. State
Inspection.

Mr. Bowman asked if they are projecting Pipeline impact in this budget. Mr. Molt said no. They are putting in a maintenance budget and trying to do the best they can. Mr. Bowman asked him what his projection is, based on observation, as to what will be needed in the inspection field to cover the Pipeline. Mr. Molt said that their capability would have to be doubled; Collier Chemical Plant in Kenai, expansion of Tesoro operation -- the needs are mounting. Coupled with this is the difficulty mentioned earlier of hiring trained people. The state is paying only \$25 more than a person can get in Houston; in addition to which there is no statutory provision for training. Mr. Bowman repeated that he is not as interested in getting someone from Houston as he is in training someone for Alaska. He asked if there is some kind of training program. Mr. Molt said that they do not have legislative authority for training. The license requires a degree in mechanical engineering. They also must have four years work before they can sit for their exams. He said that he would be really interested in having trainees who could work for the licensed people. Mr. Bowman said then that if anything is to be done with regard to inspection along the Pipeline or gas lines that people will have to be

"imported". Mr. Molt said that he was afraid that was so. He commented that when OSHA first came about, they eliminated his section and put it in with OSHA in order to get matching money. Now, as Mr. Orbeck pointed out, they have been ordered to get back out of OSHA into their own section again.

In response to questioning by Mr. Malone about the positions in Mr. Molt's section, Mr. Molt said that their budget reflects their 1972 maintenance level -- which was three positions in Anchorage, one of which was unfilled; two in Juneau and one in Fairbanks. A vacant position was transferred from Juneau to Anchorage, making two unfilled positions there. In the advent of OSHA these two positions were changed to occupational safety inspectors. Now Mr. Molt said that he is requesting a return to the 1972 maintenance level. They became in violation of ASME standards because of not being an authorized inspection agency under their requirements now. They are working to correct that before the state loses all its shops.

Mr. Bowman asked how many people he thinks they will need in order to man the office. Mr. Molt said that with the increased number of shops they feel they need at least four additional positions just to break even. Mr. Bowman asked if he thought they would be able to fill those slots. Mr. Molt said he could if he could get the Division of Personnel to put the position in a substantial enough pay level. Mr. Bowman asked how much of an increase it would take and Mr. Molt was not sure. Mr. Bowman asked about the request for technician. Mr. Molt said that this position is meant primarily for office work to relieve some of the responsibilities of overseeing the routine maintenance work like issuing of certificates, filing of complaints with the Attorney General, etc. This is more of an office supervisor position. Mr. Bowman said that his concern is that if they are just requesting the 1972 maintenance level, what happens when plants are expanded, the Pipeline construction is going on, and inspections are required for all of this. Where are the people going to come from to do those inspections? Mr. Molt said that he hopes they will be picking up new equipment and they will be doing their best to get the job done. Mr. Bowman asked if there is a danger of a slippage of safety by this type of operations. Mr. Molt said that it is true that it is not adequate coverage; it is not up to requirements. There are supposed to be inspections every two years for low pressure and twice a year for high pressure. Mr. Bowman asked if they will be able to cover the high pressure, and Mr. Molt said that they will try. He mentioned that an illegal variance had been given on the Line by an OSHA inspector. There was discussion about this and Mr. Gruening asked if it was documented. Mr. Molt said yes. Mr. Gruening said that he was afraid this would end up being charged against the state. Discussion followed along these lines -- Alyeska charges against the tariff, and the concern of the legislators that they did not want Alyeska charging fines, or other kinds of costs that are their own mistakes against the state. They wanted to be sure that these charges against Alyeska are being documented so that when the state and their people go before ICC, as they undoubtedly will, the state will be able to counter any

claims by Alyeska that these charges should be taken off the tariff as a cost of construction.

The question was again raised by Messrs. Bowman and Malone about the staffing of Mr. Molt's office, with concern being expressed that the necessary level of services may not be available. Mr. Molt said that the Governor's allowance puts this back to the 1972 level with an additional position -- a technician. He said that he is going to have to spend a lot of time on special projects like the Collier equipment, which comes under a special clause. He will not delegate that authority to a field person. This technician will be able to keep the office operating.

Mr. Haugen suggested investigating the possibility of developing a program at the University of Alaska to train safety inspectors per national standards so that there will be some Alaska capability in the future. He mentioned that this has been done for some other fields. Mr. Molt thought that was a great idea. He said that there is only one college in the nation that specializes in pressure vessel engineering -- University of Pittsburgh. That is why there are so few pressure vessel engineers. However, he indicated that if he could get a person out of the Navy who had spent four years in the boiler room of a ship, that he felt that he could in a couple years be a sound pressure vessel inspector.

Mr. Karrer was asked to elaborate on the OSHA training program. Mr. Karrer said that the training program they have is to train employers in their responsibilities and employees in theirs. They also do in-house, in-service training for their own compliance officers. Ms. Buchholdt asked what is entailed in the employer training. Mr. Karrer said that basically they have a training film entitled "This is OSHA" and this explains the employers' responsibilities to comply with safety standards, what they as employers have to do to insure employee safety. Really this is a public information activity. Ms. Itta asked if the federal government with all their employees has the same kind of training and Mr. Karrer said that they do not have jurisdiction over the federal government. The federal government has their own compliance section and if the state does not enforce compliance within the state, the federal OSHA will move in.

OSHA

Mr. Bowman said that he recognized the fact that when OSHA first was created there was quite a bit of reservation on the part of employers and it was only the threat of federal imposition that kept the state OSHA in operation. He asked if they find more general acceptance by employers now than they did previously. Mr. Karrer said they find very much more acceptance, because of their public relations program through public meetings. Mr. Bowman asked if they are doing inspections along the Pipeline and Mr. Karrer said yes. Mr. Bowman said that he would imagine

there is no problem with the larger contractors. Mr. Karrer said that there is no problem with the contractors because everything is handled through Alyeska. Everything ends up with Alyeska's attorneys. This is their procedure. He said that they have been experiencing extreme cooperation. He said that they find proportionately many fewer violations than, for instance, on a building construction project in Anchorage.

Mr. Bowman recited an instance that he was familiar with in which OSHA came in and inspected, noting a terrific noise level and so much dust that it was actually combustible. He felt that these are the instances where OSHA really helps and he is "all for the program". He said that he thought a lot of the problem with OSHA at the start was that people were afraid of it. Mr. Karrer concurred, proclaiming that "what you fear is what you cannot understand". He remarked that they do have collections out on some people, one of whom has disappeared. He said that he thinks some people came to Alaska, thinking they would avoid the necessity of complying with safety standards. They have found out that that is not so.

Mr. Guy noted a discrepancy between the short form and the budget document and asked for an explanation. Mr. Clemens said that after the short form was printed, there were some minor changes made in the OSHA budget. That is why the figures don't match up. The short form figures are not correct. Mr. Guy raised a question about the numbers of positions. Mr. Clemens said that those should be correct, although they are split out in the short form. The original budget was prepared before notice from the federal government to make the changes. Out of 50 OSHA positions, eight went to State Inspection, leaving 42. There are 9 new positions in OSHA, and two new positions in State Inspection. What is not shown is what was transferred out. Mr. Gruening asked what the 9 new positions in OSHA are. Mr. Clemens said that for OSHA there are four occupational safety compliance officers, one clerk typist III, two industrial hygienists & 2 by RP. In State Inspection there are two positions -- a pressure vessel engineer and a pressure vessel technician.

Once more on the subject of the breaking out of the State Inspection unit, Mr. Gordon said that when OSHA incorporated the State Inspection unit, that was by agreement with the Seattle OSHA people. However, it was the federal auditors who are outside of OSHA who disallowed it, so at the present time they are trying to negotiate so it does not cost the state the amount of money that has been put in up to this point.

State
Inspection

The comment was made that at this point the state is reluctant to admit that they were wrong due to the directions given them by the federal OSHA people and so they are not accepting their

OSHA

findings.

There was mention of pending legislation in Congress on extension of the three-year OSHA plan. Mr. Haugen asked if there is an expiration date on OSHA and Mr. Karrer said that the original plan was for a period three year period of time on a 1 to 1 basis. They could continue on with the legislation pending if they continue the 50-50 match. The law says that will be funding in that ratio if the program continues. Mr. Orbeck said that this is provided they don't get an adverse decision. The AFLCIO has filed suit against the federal government and is the Feds win, they will be continuing the program. Mr. Malone asked what kind of document the plan is. Mr. Karrer said that it is a lengthy document developed according to the public law setting up the OSHA program. The state has to comply in order to take part in the program. This had to be incorporated into state law in order for the states to adopt the program. They had to develop a training program and many other things as well as agreeing to promulgate safety standards. This is not a hard and fast plan. It can be revised and when the state finds something that should be included in the overall plan, they submit it as a revision to the XVIII(b) plan.

Mr. Guy asked if in the course of performance of their duties, OSHA people have found that there is an adequate ratio of supervisors knowing first aid to employees working. Mr. Karrer said that they had been working on first aid courses throughout the state; their standards require supervisors or foremen to have first aid cards. Because of certain situations they have run into they have been working for one first aid card per 15 people or fraction thereof. In many cases there are enough card holders. They could not use their consulting staff to train all of the people in the state who want to be trained in first aid. Last year they trained some 11,000 people. Because of the transience of the workers, they have to continue training programs annually, however. They do not restrict the courses in first aid to foremen or supervisors. Mr. Gruening asked if they ask the people they are training who they are or what they are involved with. Mr. Karrer said no. They do train at various union training schools -- for example, as part of the training for apprentices.

After discussing present staffing, Mr. Karrer said that they have left the slots open for the positions that were pulled out to go back to State Inspection. They are hoping that the legislature will let them fund these positions. He said that in order to do the job that needs to be done, they would need 30 compliance officers, but he is not asking for that because he cannot see training masses of them at one time. They can train fewer more adequately. Seven new positions would come on in 1976. These are the people who were approved in the long form of the budget. Two other positions

are coming on by RP but have not appeared yet. The net increase of new people available to do the job for the 1976 budget is 9. Four compliance officers, one clerk typist in Compliance, two industrial hygienists, and two positions coming on by RP.

Mr. Karrer was requested to provide the committee with a copy of the XVIII(b) plan.

Mr. Guy asked, as far as the longshoremen under federal maritime jurisdiction rather than OSHA, what definition they use for waters under Federal Maritime jurisdiction, and Mr. Karrer said that they use the same definition as the Coast Guard.

Meeting adjourned at 9:35 p.m.

ADJOURNED

HOUSE FINANCE COMMITTEE
Thursday, March 13, 1975
2:10 p.m.

All members were present except Mr. Gruening.

PRESENT

Others Present:

Donald Harris, Commissioner of Public Works
William R. Hudson, Director of Marine Transportation
Keith Hart, Planner for Marine Transportation
Rep. Mike Miller
Rep. Keith Specking
Rep. William Parker
Betty Ramage, House State Affairs Committee

The meeting was called to order to review the Department of Public Works in the Transportation category of the budget.

TRANSPORT.
DEPT OF
PUBLIC WORKS

Commissioner Harris delivered an opening statement beginning with comments on the Marine Transportation Division. There are two ferry systems, as extensions of the highway system with a total of 8 vessels serving various communities. The 1960 Legislature provided for the initial bond issue for construction of the ferries. Jobs are provided for about 700 people of which all but 95 live in Alaska. He outlined briefly the direct service to communities in Southeast Alaska; the indirect service to inland communities, and the infrequent service to Angoon, Hoonah, Pelican and Gustavus. He reported a hope to increase efficiency of the system; the system is historically established to serve Alaskans and he wants to continue this service.

Marine
Transport

Negotiated personal services and fringe benefits bear directly on increased costs. Mr. Haugen asked if a professional negotiator was a part of the budget; he was told it would be done under contractual services at this point.

Mr. Haugen was told that Pelican will be done with the port facility bond issue; Angoon they planned to use highway fund; Gustavus was still being explored regarding financial methods there. There is a dock but no facilities for handline a ferry. Mr. Hudson added that low water landings would not be permissible.

In response to Mr. Cowper, Mr. Hudson said that they will contract Bob Herstile for the next round of negotiations; he is a veteran in labor negotiations who dealt primarily with industrial negotiations in the past. Mr. Haugen commented that he did all kinds of maritime contracts and was a good man.

Mr. Duncan commented that 80% of the revenue was generated in the four summer months, and asked if they had looked at ways of encouraging off-season use of the ferry system. Mr. Hudson said they were looking at that and were spending money developing traffic on the "shoulder" months of the season; one person is

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attending travel shows and meeting people on a one-to-one basis to get ideas. Mr. Duncan asked about encouraging use by residents of Alaska during the off-season, suggesting group rates. Mr. Hudson said a discount of 20% was offered this last year, and they were considering a reduction of 25%. There is a resolution by Rep. Gardiner to promote intra-Alaska travel. All they can really do is offer a ship at a reduced rate; they cannot force people to travel.

He went on to say that operations were somewhat reduced during off-season, but not as much as they would like. There are signed contracts and regulations as to crew requirements, and these would have to be struck down if they were to reduce operating costs. In further response to Mr. Duncan he said they could have an increase of 50% during the off-season months and it would not affect the personal services.

They discussed the problem of landing facilities: Hollis can be used at half tide or high tide only; in Gustavus it may not be possible to put an all-tide facility in. Mr. Hudson reported that a study was being done on these different factors.

Mr. Parker asked what the negotiation consultant cost; Mr. Harris replied \$45.00 an hour plus costs, on a contractual basis, and the Department would pay their share. Mr. Parker told the Committee that \$79,000 was earmarked for negotiations last year, and the Commissioner of Administration had said almost none of it had been spent. Mr. Harris said he was not aware of that sum of money, and Mr. Dawson added that he was not sure of the status of the money though he thought there was an RP in November or December. Mr. Parker repeated that the Commissioner of Administration testified to the State Affairs Committee that they had created a new position with some of that money, on the Labor Relations Board. Mr. Haugen said the money wasn't given to Marine Transportation; he wasn't sure they had any access to it. It was given to negotiate the APEA Contract. Mr. Parker said he thought this was for state contracts. Mr. Dawson thought it would depend on the amount of money; the first intent was to take care of the APEA situation; if there was money left, he was sure there would be no problem getting some for Public Works negotiations.

Ms. Buchholdt asked why advertising and promotion was not included under the Development budget for \$2 million; for Tourism there is \$505,000 for just about the same thing. Mr. Harris answered that the Tourism people had been primarily interested in aiding and helping the tour people and Marine Transportation people felt they had not directed their effort to promoting that facet of travel. They feel it is essential they represent themselves. He told Ms. Buchholdt that the \$505,000 for printing and advertising in the Development category had nothing to do with their Department expenditures.

Mr. Hudson described the advertising material and pamphlets available through Marine Transportation: A pamphlet available with information to the public; an additional folder used for the reservation system; the schedule being the biggest thing. It is distributed to about 6,000 travel agents; it is the Department's bible.

The Chairman asked how long the program for encouraging off-season travel had been in operation and was told about two years; that there had been an increase approaching 8-10% every year and they expected 10-12% this year. They are fully reserved from May to September and are expanding the shoulders. The Chairman wondered if advertising for off-season travel might be adding to the peak load during the summer, but Mr. Hudson did not have exact statistics at this point. He agreed to make them available to the Committee. There is no accurate figure on how many are Alaskan residents traveling during the summer months, but Mr. Hudson thought they probably only comprised 20-25% at the most during the summer; possibly 50% in the winter.

Mr. Hudson described the reservation system to Ms. Itta. There are terminal agents at all major communities, wherever a vessel stops. A person can write to the Juneau office or can go to Seattle. There is teletype communication with all agencies.

Mr. Duncan brought up the topic of off-season travel within Alaska again, asking Mr. Hudson for his philosophy of the kinds of people who should be encouraged to travel off-season. Mr. Hudson said they should be looking at the whole area; they would not get the peaks that the summer months have. They have a fleet of 8 ships with high operating costs--increasing fuel, maintenance and personal services--of \$28 million. The tourists probably reduce that operating costs by rate tarrif into the General Fund of about \$10.5 million. He projects this to be \$14-15 million this summer. The tourists offset part of the subsidy and the taxpayers the rest. They should try to promote as full use of the ferry system as possible.

Mr. Duncan asked if Mr. Hudson had seen any real problems develop with any particular types of passengers that resulted in increased costs. He reported that there was a little vandalism which is always a problem; with increased usage, the vandalism must increase a little. They do try to accommodate groups when possible; He said in the case of the Gold Medal Tournament, they tried to be flexible in their schedule, carefully figuring their schedule and the tides, without any increase of staff. Mr. Duncan asked if he saw any increase in revenues from use of the facilities because of these groups traveling; Mr. Hudson replied, "of course they did." He said they should be providing the degree and type of service that Alaskans require, giving as another example a group traveling to Craig and Klawok--they put on one extra trip to accommodate them and when all extra costs were considered, they had made about \$10.00 and provided the service.

Mr. Naughton asked what contingency plan they had in the case of having to contract or shrink their budget due to the high cost of the Division and the condition of the General Fund. Mr. Hudson reminded him he had only been on the job 90 days but they were studying many alternatives, looking at cost of each against the service. He did not have a plan he could tell about at this time. They are looking at Bellingham vs. Seattle; looking at reduction of food service crews in the off-season.

In response to Mr. Guy, Mr. Hudson told them they will be build-

a new vessel in the summer of 1977; the contract is let and resident inspector will be there next month. We will have another 60 people on the payroll and added expenses, but the construction is all federal money. Mr. Dawson said there was a G.O. bond match of approximately 10%. The builder was in Sturgeon Bay, Wisconsin; the boat would not be able to cross the gulf.

Ms. Buchholdt asked about getting private business involved in the concessions on board. Mr. Hudson said it had been tried and ended up a total fiasco. The food service runs a 20-30% return, and these services are an additional revenue.

The Committee was told that the \$625,000 General Fund money in FY 75 was for the State share to match the federal, but the overall contract was \$7.7 million for the vessel and was on a 90/10 or 95/5 match.

The Chairman asked about the status of the problems on the new Columbia. Mr. Hudson said the items covered under warranty were to be corrected during the next two months, along with many of the design deficiencies. Most of the major bugs should be taken care of when the vessel comes out of the yard next time. Mr. Haugen asked if they planned on changing propellers, and Mr. Hudson replied that it was not certain; they will take a high speed run to see if the blades are still sloughing metal. He told the Chairman that unless they wanted to pay for considerable reconstruction, they will have to get along with the bow thruster they have; they had accepted the design so it was theirs.

Ms. Itta asked about the Remote Route Subsidy; Mr. Hart explained it was first initiated by Carl Moss for intra-Alaska about five years ago, to provide for service to small communities off the regular route. It's up to about \$40,000 now. Mr. Hudson added that private agencies provided freight and other services to the remote villages, but did not know any of the owners.

The meeting was recessed at 3:00 p.m.

RECESS

AFTER RECESS
3:15 p.m.

The Chairman commented on the past revisions to the budget and the current supplemental request for about \$7 million, and asked how realistic the FY 76 budget request was, at a total of \$29 million. The Commissioner referred the question to the Marine Transportation people. Mr. Hudson said that if the ships continued to run as they currently run and with the possibility of another pay raise, there will be another supplemental request. He said all contracts with marine unions are subject to renegotiation this year and perhaps they can change the dates to coincide with the fiscal year of the State. This has not been explored in any depth though it has been considered.

The Chairman stated that the Legislature could consider a substantial supplemental in the FY 76 season, and Mr. Hudson replied he could not say just how substantial, but "yes, there will be a supplemental in FY 76."

Mr. Guy asked for a breakdown of the anticipated expenditure figure for State Ferry facilities; Mr. Hudson said they had requested the availability of Highway funds for Angoon and Hollis and have a tentative go on that; Tenakee is under study. Additionally they had requested considerable work to be done on Auke Bay, and the Haines dock fender system. They will also be installing soundproofing in six of the vessels--this is a coast guard requirement due to the high noise level. Dining rooms on two vessels are being converted to cafeteria style. This was tried and well received on the Columbia, and they can save money by this method.

(Mr. Cowper entered the meeting).

Mr. Duncan asked about the Le Conte going to Glacier Bay. Mr. Hudson said they were well along planning for small terminals; they were looking at Pelican, Tenakee, Gustavus and others. If they can get facilities ready this season they can get the vessels to these points. Mr. Duncan asked if the facilities were not finished they would not be running a Glacier Bay tour. Mr. Harris said he would think there would be more time to go to Glacier Bay; he might say six times minimal the vessel would be available for some kind of tour to Glacier Bay. Mr. Hudson reported there had been three requests for group tours to Glacier Bay.

Mr. Duncan inquired as to the progress on the Skagway docking problem. Mr. Hudson said there is a joint study being done with White Pass/Yukon as to the use of the whole water front of Skagway. This study should be in their hands in the next three weeks to a month. The Commissioner said in the case of Skagway they will probably be back in asking for money--it is not in the budget now.

Mr. Guy noted that because of changes in the vessel rules more manpower is necessary; and when the new vessel is completed in 1977 did they think there would be Alaskans with the ability to fill the positions. Mr. Hudson said all hiring is done through the Maritime Union. He doubted there were people qualified and out of work in the State of Alaska.

(Mr. Naughton Entered the meeting).

Mr. Hudson said some engineers live in Seattle; Alaska does not have and never has had the volumes of licensed people to handle these jobs. Most of them live in Alaska; all masters live here. He told Mr. Naughton that at the most 40-50 employees of 700 live out of State.

Mr. Malone asked questions on the setting of the tariff, and how they ascertained the cost per square foot; Mr. Hudson reported that the cost per square foot was established using various parameters; he couldn't answer the question exactly, as the Traffic Manager could, but it was not a hit or miss operation. It was based on comparisons, additional costs of operating and was quite an intriguing formula. The Chairman requested a copy of the Tarrif study, and Mr. Hudson agreed to supply it.

In response to questions from Ms. Itta and Mr. Naughton, other ferry systems in the other states were briefly described, noting

the difference in character. Mr. Hudson said while Alaska's ferry system is not the largest, it is the largest passenger system and probably the most unique, because of the exceptionally long, arduous, dangerous, very beautiful route. Mr. Hart informed the Committee that several companies are patterning vessels in the cruise ship line after Alaska.

Marine
Transport-

After outlining the Marine Transportation budget from 1973, at \$15 million to 1974 at \$18.7 million and FY 75 at \$21 million plus the \$7 million supplemental, and the FY 76 request for \$29 million, he asked the Division to outline the reasons for the supplemental request (HB 145. The Chairman remarked that there were about \$35.2 million in supplemental requests floating around and the 1966 State budget was only \$36 million.

Mr. Hudson began with a general explanation, saying that for the most part the increase was for personal services and fringe benefits from the last union contract plus an exceptionally high contractual services increase for repairs and maintenance. This last is for design errors accepted by the State, and the longer operation of two vessels that were going to be laid off. He emphasized the heavy use the ferries received, something like 1/4 million people.

HB 145

Mr. Hudson then outlined in detail, item by item, the pages of the handout that listed what was included in the supplemental appropriation. On the question of design errors, he felt the people did not confer with anyone who ran the ships, but hoped they had learned from their mistakes.

Item 14, Southeast Vessel Operations, increased travel rates, is for crew members only. Alaska Airlines increased their tariff and they had not budgeted for it. It is a union negotiated item; when a crew goes to Seattle, because of the length of time, they must be flown back and another crew flown in to take their place. The total budget for that is \$51,600 for per diem and travel.

Regarding the legal fees in the State vs. Lockheed, the final outcome was they paid them \$147,000 plus the remission in liquidated damages of \$303,000, instead of the initial \$2.1 million asked from Lockheed. This was conducted in both Seattle and Alaska, by an attorney from Seattle.

Chairman Malone asked the reason for a two crew system on the Chilkat. Mr. Hudson said they were requested or directed to provide service to Metlakatla and Hollis and could not do this with one crew and meet the Coast Guard or union regulations. Mr. Malone said he thought one of the reasons the Legislature approved this was because they thought it could be done with one crew, and it indicated to him that they would have to look very carefully in FY 76 to eliminate these things at the start. Mr. Hudson said in the past he didn't believe they had adequate budget control or preparation in Marine Transportation. He now feels he has the staff to prepare an adequate budget and hopes that future budgets will be more realistic than in the past.

Mr. Hudson said that this request for additional funds, are for costs they feel they are locked with; those places that could have been cut, were cut.

The Chairman announced a meeting of the Alaska Housing Finance Corporation, at 5:00 p.m., this afternoon to which members of the House Finance Committee were invited.

He also reported to the Committee that Gene Guess had died earlier this afternoon at the Baranof Hotel.

The meeting was recessed at 4:27 p.m.,

RECESS

AFTER RECESS
7:15 p.m.

All members were present except Ms. Itta and Mr. Naughton. Mr. Duncan arrived later. Also present at this time were:

PRESENT

Donald Harris, Commissioner of Public Works
Heinz W. Noonan, Chief Economist, Div. of Aviation
Richard Fullerton, Financial Consultant, Div. of Aviation
John G. Nesheim, Airport Operations Superintendent
Tracy D. Kaldor, Administrative Director of Public Works
Don Candey, Head of Administration, Div. of Aviation
Sharon Trimble, Finance Officer, Marine Transportation
Carl Gonder, Budget and Management
Rep. Helen Fischer, State Affairs Committee
Rep. William K. Parker, State Affairs Committee
Betty Ramage, Staff Assistant, State Affairs Com.

The meeting was resumed to review the Aviation Division of the Transportation category.

TRANSPORTATION

PUBLIC WORK

Mr. Harris' opening statement noted the increasing requirement for improved facilities in the State; that lack of adequate transportation results in reduced employment opportunities, and higher cost of goods. This was especially true in communities that relied on air transportation. The Department must keep up with the increases. The two international airports are experiencing up-ward growth due to pipeline activity. There are now three international airports: Cold Bay, Anchorage and Fairbanks, with G.O. Bonds issued and federal matching funds for capital improvement programs. They favor the communities taking over up the maintenance of their own airports even though the State would have to see to the financing of the operations. Regarding the two international airports: They have reduced the scale of capital improvements considerably. They were proposing approximately \$58 million in capital improvements to Anchorage and Fairbanks and this has been reduced to \$15 million. Primarily because fuel cost increases being experienced have put most of the carriers in poor financial position, and any rate increase would mean increased costs to the people being served. The \$15 million will maintain the airports as viable entities. Anchorage and Fairbanks airports are in a special fund, operating from the revenues they generate.

Aviation

Mr. Harris introduced Don Candey, Head Administrator of the Division of Aviation.

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Mr. Harris told Ms. Buchholdt there were a number of airlines used the Cold Bay International Airport, but mostly the Flying Tigers. Cold Bay is not in the fund; capital improvement is supported by G.O. bond issues. Funds for operation and maintenance are from the General Fund of the State. It's part of trunk and secondary program, but is international in degree.

Cold Bay
Internatl

In response to questions from the Chair pertaining to an audit of 10-9-74 to Mr. Taggart who was Commissioner of Public Works; and the need for a financial information system, Mr. Harris said they had received a proposal from Main-LaFranz and had set up a computerized accounting system for Anchorage and Fairbanks. Two men have been working on it for 2-2 1/2 months. They came down to talk to administration to see how the change could be accomplished to bring the accounting into line with Main-La Franz recommendations.

As to the chronic problems, Mr. Harris said the internal auditor had audited all the accounts of concessioners of the airports and is continuing to do so at their request. They are working with an accounting firm to set an accounting and reporting system to fix these problems when implemented, and that should be by the beginning of next fiscal year.

Mr. Heinz Noonan, Division of Aviation was introduced to answer questions on the International Airports. The Chairman told him the Committee was principally interested in significant changes, what kind of problems they were facing, and what is coming up in the budget year.

Internati
Airports
General
Info.

Mr. Noonan said two programs pertain to the International Airports; one is contingent on whether they build the international satellite. If they do they will need rate increases of \$2.5 million which will be presently passed along to the carriers. These will be fuel flowage fees of 1/2¢ per gallon, which would generate \$1,450,000; terminal rent would increase 75% which would generate revenues of \$700,000; increased parking fees and tie-down fees would bring the total increase to \$2.5 million.

If they don't build they will need a 30% increase in fuel flowage to make \$850,000. Parking fees and tie-down fees of \$1 million would be required to operate the airports and maintain the working capital at a level necessary to assure that future operations can be conducted without fiscal problems. In conjunction with this program, there is a \$12 million in-house capital improvements program within the revenues. This was originally \$38 million but was scaled back and will be from FY 76 to FY 80. Mr. Harris added that with the new Act passed this year, financing for terminal buildings might be included, which never have been previously.

Mr. Harris told the Chairman that bonds would have to be issued for the satellite construction. They have gone to bid for the building. They found there was very little communication between the users of the airport and the Division of Aviation regarding the dynamics of day to day changes. Because of high fuel costs and losses generated by air carriers they say they want to hold off going through with the program. Nearly all International carriers using Anchorage have lost \$100 million

each in the past year. They want the building and facility but don't want the increased rates to pay for it at this time. Domestic carriers have joined with them in asking us to hold off. They will make a decision shortly. The Chairman asked how they would make this decision.

Anchorage
Int'nat

Mr. Harris replied that it would have to relate to those paying the fees and operating off the airport. If rates increase some carriers will be discouraged from using the airport. If they discourage international carriers, domestic carriers will have to pick up the costs. They will have to maintain bond coverage on the bonds, that is one of the prime considerations. Bonds have been issued and sold for the international satellite at \$10.6 million. The costs incurred are approximately \$175,000 for issuance of bonds and related costs; \$600,000 in design costs. If the design isn't used at this time they will probably have to redesign which will cost from \$200,000-250,000. The new design would have to be under the 1973 code instead of the 1970 code, which might create new problems.

Mr. Fullerton said the total debt service is \$1,852,000; the total outstanding debt is \$22.3 million excluding the \$10.6 million recently sold. The bond issue could be recalled, and would cost roughly the \$600,000 design fee and \$175,000 bond issuance cost; however, it would require legislative amendment on the revenue fund. They would have to get an appropriation from the General Fund of the amount paid to bond holders, then pay back with the construction money to the General Fund. Under arbitrage they would lose \$2.3 million. This would not affect the bond rating.

(Mr. Duncan entered the meeting).

Mr. Harris told Mr. Haugen that by doing certain improvements to the existing facilities in Anchorage they can "live" with that perhaps until 1979 or 1980.

A new factor is that the DC 10's they are now building have the capability to fly from Tokyo to Vancouver straight through, and Japan Airlines (JAL) has said they would reduce their flights from 80 to 70 a week. If rates are left as it, they will continue to use the facilities. There was lengthy discussion on this topic. Mr. Noonan also stated that with the new terminal there is a split facility, and service is done on a contract basis--food service is done on a flat fee and they have indicated this might go up as much as 75%. Mr. Noonan reported that about 25% of total revenue is derived from concession fees; 70% of that was from the duty-free and gift shop operations and if they lose international business that much revenue will be lost and rates will go up. JAL attributes to 95% of this duty free and gift shop revenue.

Mr. Noonan said they cannot get commitments from foreign carriers on the new satellite. He said the tie-down fees in Vancouver for a Jumbo jet was somewhat higher, but not significantly but there were offsetting advantages. Mr. Heinz agreed with the Chairman that there was the possibility that no matter what was done they might make Vancouver their stopping place. One advantage was

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it was a shorter route. Another fact is that the U. S. is contemplating severe increases in fuel costs. Still another consideration is all of the carriers say they are willing to pay on a rate structure, whatever costs the State experiences. Mr. Harris added that they would propose to levy a rate that would regain those losses over a span of 2-3 years.

Anchorage
Int'natl

Mr. Parker asked if the carriers stayed current on landing fees. Mr. Noonan replied that at the present time all were pretty much up to date--those outstanding are those who have gone bankrupt. Alaska Airlines is current. Mr. Harris said it had not been the policy to collect interest; it is on the books but they have not done it. Mr. Fullerton commented that it was a very minimal rate of interest.

Mr. Harris stated that up to three weeks ago they would have gone ahead with the satellite building; JAL had said they wanted 4 of the 8 gates. But last week when they changed their mind put a different light on the whole thing. One facet that wasn't developed was the fact that when the new facility is on line it would leave 55,000 square feet of space open in non-revenue which would be between \$4,000 - \$5,000 worth of revenue. The old facility is 45% revenue producing, the new facility would only be 18% revenue producing. The rest is public area, at \$30 a square foot which is high.

The Chairman asked about keeping trained people working; Mr. Noonon said the turnover had been relatively small; the biggest in security because of Alyeska recruiting them. Compared to Alyeska, they cannot compete. Security runs 45% of total services. Mr. Harris said the federal government has a new stipulation which would raise their costs in excess of \$1 million annually if they were to follow their proposals. They are resisting. They are having the same problem with all the airports; they are becoming more and more stringent in security stipulations. One of the great saving factors is that in many of the trunk airports they have waivers as far as security goes. Ms. Buchholdt asked what the State could do to exact some sort of funding from the federal government to subsidize this; Mr. Harris replied that where fencing and other requirements are mandatory, they do come in with ADAP funds at the rate of 93.7% for construction items or capital improvements. Mr. Fullerton also said that the security fee is tacked onto the ticket cost.

In response to Ms. Buchholdt, Mr. Harris said that just considering JAL in the last month decreases revenues by \$8,500 a week to Anchorage. When they drop ten flights a week @ \$850 each, plus the other factors already mentioned it adds up fast. Mr. Fullerton said revenues have leveled off, but expenditures have increased. The only two years they made money were 1969 and 1970.

Regarding Fairbanks International Airport, Mr. Fullerton said operations had increased by the type of aircraft that doesn't bring as much revenue or as much oil fuel fees. He further said that as soon as Pan Am leaves Fairbanks, there will be no more duty free concession. Mr. Noonan reported that Fairbanks was a \$20 million facility and took a certain number of people to run it. There are 93 employees, 30 maintain the airport.

Fairbanks
Int'natl

Eighteen to twenty have been eliminated and they hope to get it down to forty. Requirements cannot be maintained below that. Mr. Cowper asked what kind of formula they used, commenting that there always seemed to be more cops than passengers; Mr. Parker asked if these same people acted as crash crew, and was told that they did, rotating about 50%.

Fairbank
Int'nat.

Mr. Harris reported that the Fairbanks terminal expansion will be in only one regard; that is to add another level over the cargo area. There are serious space problems in Fairbanks. He agreed with Mr. Cowper that most people contribute this to the function of the slope; however if the gas line goes there may be years of this kind of usage.

Mr. Fullerton noted that the fee structure was different only in so far as terminal rates were concerned; it was \$3 more per square foot in Fairbanks than in Anchorage. He quoted rates of \$8.25 in Anchorage and \$10.25 in Fairbanks.

Referring to the International Airport Revenue Fund, Mr. Fullerton reported there was no cost squeeze; a cash flow between 1974-1980 will be maintained at an average of \$8 million. This includes funding all projects and programs inhouse between 1976-1980 for roughly \$12 million. There is about \$24 million federal ADAP funds. One major factor is the kind of bond coverage that has to be maintained. If they don't go ahead with the series E bonds, the only obligation is to maintain a 1.3 of the debt service; the bond coverage continually drops every year. Mr. Gonder said regardless of whether the bonds were sold they would have to retain a 2.5 coverage. Mr. Fullerton did not feel that this was the way it was explained in the bond prospectus.

Mr. Noonan outlined the operating expenses for the two airports: FY 1975, \$12,500,000; FY 76, \$15,500,00; FY 77, \$17,700,000; FY 78 \$19,000,000; FY 79 \$22,200,000; FY 80 \$22,600,000. He explained the reasons for the increases as being the increased personal services, the cost of living allowance and the annual pay hike they seem to be getting. Mr. Fullerton said if they back out of the expansion programs the funds will be in good shape in Anchorage; they will have to maintain a handle on the accounting and reporting.

In response to Mr. Haugen, Mr. Harris replied that under the proposed legislation for ADAP funds, the percentage rate will be 82% for terminal facilities. On runways and ramps they get ADAP funding at 93.7%.

Ms. Buchholdt asked what happened to the \$599,400 appropriated for the International Airport Pipeline Impact; Mr. Noonan replied that it was not used; it was returned to the fund. Mr. Harris said one condition imposed on use of impact funds was they had to generate revenue. Some impact money will be used in Valdez based on revenue generated. Extensive maintenance programs have begun because Alaska Airlines has asked for 727 service there. The snow removal area had to be widened.

The meeting was recessed at 8:35 p.m.

RECESS

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AFTER RECESS

8:50 p.m.

Mr. John Neshiem, Airport Operations Superintendent first said he would respond to three items asked for by Rep. Gruening, in writing at a later date.

Trunk &
Secondary
Airports

He said the State assumed title to Cold Bay in 1966; it had been Fort Randall during World War II. It serves Reeves-Aleutian as a fuel stop, and is also a distribution point for nine villages in the surrounding area. International carriers do use the facility; the Flying Tigers, World Airways, C-46 type aircraft flying cattle to the far east; also an occasional executive jet. For total operating costs, the figure \$394,000 came to his mind, but he would forward exact information later. Revenue is \$345,000. At one time Cold Bay was self sustaining and produced a surplus. Due to the winding down of the Viet Nam war, jet flights have been reduced. He will provide landings and take offs by individual aircraft. The Air Force uses Cold Bay to support their site nearby; there are 130 men stationed about twenty miles away. They cannot charge any FAA or Military any airport fee according to omnibus act. It also serves as an alternate emergency landing area, being an all-weather airport, fully equipped. It is included in the Strategic Air Command.

Cold Bay
Int'ntl

He told Rep. Parker that Flying Tigers used Cold Bay because it saves them about 30 minutes in flying time and they also realize a savings of fuel vs. cargo carried. The total revenue figures for 1971 to 1975 will be sent to the Committee. The projection for 1976 would be a guess because there is a problem with a dock facility that has been closed for 6-8 weeks and there may have to be repair work done this year. Mr. Harris added that Standard Oil Company is considering moving from Unalakleet to Cold Bay and their investment in a dock might offset this repair work.

There was a discussion of fire fighting equipment and where it was located. Mr. Guy said he had questioned the figures pertaining to operation, maintenance and certification because he knows for a fact that the rural areas have been given token recognition, and he wanted the Department of Public Works to be aware of his concern. Mr. Harris said they plan five programs this year to house fire fighting equipment at various airports: Bethel, Homer, Cordova, Kotzebue and one other.

He told Mr. Gruening that projections look good for Valdez; the City of Valdez currently operates the airport. The construction is \$56,000; previously it was \$50,000 and the city bought some equipment. The revenue should increase significantly in the next few years. The State gets a portion of concession revenues. The \$56,000 is the total additional snow removal and will be charged to the Pipeline. Primarily the traffic in Valdez is twin otter, mostly twin engine and single engine aircraft; basically the same as most other airports of similar size.

The Chairman pointed out that in the overall budget the contractual services had gone up and asked the major increases occurring. Mr.

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Mr. Neisham answered that the major increase is relative to the increased rental rates charged by Highways, for their working capital fund which have to be paid. One prime cost is the charges and reflected tri trades interest relative to Highways where they do the maintenance, URSA, at 22 airports; because they are paying increased rental rates they in turn reflect these costs to us in their billings. In villages where they contract with an individual or the village to maintain the airport.

Mr. Haugen asked if they would try to turn some of these operations over to local maintenance. He asked if the city would maintain the airport and be reimbursed or did they want the city to take over the airport. Mr. Harris said the communities that have the airports could collect considerable savings, if the State agreed to pay the communities whatever it cost for them to take over and let the cities generate whatever revenue they could to offset the costs. Mr. Harris felt this to be the direction the State should take. Mr. Haugen remarked that both Sitka and Ketchikan appeared to be doing well. Mr. Harris also stated that particularly in more remote areas of the State, one crew of people could be doing all the work involved if they could get the equipment to maintain the program; it would provide for more local hire within the area. Mr. Harris told Mr. Duncan he believed that Sitka and Ketchikan were the only ones who had that leasing agreement to operate the airport. Nenana, Palmer, Kenai, all have their own airports. Ketchikan built their own terminal.

The Chairman asked about increased rental rates, rehabilitating of units and asked what the change would be and the cost. Mr. Harris said the Department of Administration is evaluating rental rates on all State housing and plans to come forth with a revised rental structure. Mr. Neisham said they didn't have the furniture yet but rates were already increased from \$50.00 to \$100. The rents are on a graduated scale: At Cold Bay, 1 bedroom is \$2.50, each additional bedroom is \$1.50 which comes to \$137.50 monthly.

A prime consideration was not to increase the rates so much they would lose the employee because they are concerned with mechanics and operators who can go to work on the pipeline. They have to pay transportation costs for the man and his family to Cold Bay; there is no one locally. The Tri Trades salary starts about \$6.20 to \$9.27 per hour. Depending on the locality there is subsistence which peaks at about \$50⁴ per month at Umiak or Barrow. They collect per diem if they travel instead of subsistence.

The Chairman noted that during 1978 the State has signed an agreement to take over three airports along the pipeline. Mr. Neisham didn't think it would happen that soon. Mr. Harris said the FAA has asked the State to take over five of the intermediate fields: Farewell, Yakutaga, Middleton Island, Skwentna and Chumina, (sp) Any one taken over with over 12,500 pounds of equipment will be faced with the security requirements that FAA now imposes. They will have to evaluate it in terms of what revenue can be generated. He did not know what use Sqwentna would be to the State.

The meeting was adjourned at 9:37 p.m.

ADJOURN

3/13/75

HOUSE FINANCE COMMITTEE
Friday, March 14, 1975
8:55 a.m.

All members were present except Messrs. Naughton, Duncan and Cowper. Also present was Betty Ramage, State Affairs Staff Assistant; Jay Hogan, Director and Bob Grogan, Fiscal Analyst for the Legislative Finance Division.

PRESENT

The meeting was called to order for consideration and staff review of the General Government Category, Department of Administration and Public Works Communications.

GEN.GOV'T

Mr. Hogan began by saying that the Governor's Office appeared to be in a confused state due to the status of Economic Development, which scrambled the Planning and Development budget, because of personal shifts. Planning and Research is trying to reassemble their budget.

DEPT OF
ADMIN.

Executive
Admin

Mr. Hogan commented on a memorandum from Commissioner Orbeck to Joe McKinnon. At the Chairman's request he will investigate it further, beginning with the accusation that the Legislature had turned down the building; they have not had a chance to do that. He described the memo as a "loss leader explanation of sloppy handling and an attempt to get out from an obvious responsibility." Ms. Buchholdt remarked that they were constantly renovating; which Mr. Hogan explained was the root of the problem; the project was apparently started without anyone's authorization.

Commissioner
Office

In the Commissioner's Office, again are effects of the Executive Order leaving a big portion of the budget in question. The increased ASHA rental and space theoretically to be vacated by Economic Development Department; throughout the General Government Budget there will be question marks due to the questionable status of Economic Development. All ASHA costs for space rental are apportioned to the various agencies who occupy space in the building. With Economic Development leaving, their cost has to be picked up by someone.

In 1966, ASHA got into the building of public buildings by amendment to the original bill; several major and minor ones. The rentals paid cover cost of the building and maintenance, and appear extremely expensive. ASHA sells bonds to build the structures and a substantial amount of rent is really debt service plus insurance, maintenance and up-keep--it is not appropriate to call it rent. In the case of the State Office Building, at the time the bonds were sold, bond interest rates were very high. The State had a 6% limitation on interest; they raised it to 7%. There was great concern that the bonds would not sell because the interest required to sell them would put them over the State statutory limit. A normal bond is sold for 20 years; these bonds are for eleven years so repayment is doubled, and annual rentals are much higher. This item appears in every budget whose agency is in the State Office Building.

ASHA
Rents

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Mr. Hogan said the new parking building is not part of the same bond issue, but another, issued with longer terms. The people who use the parking pay nothing that he knew of. Mr. Haugen said he would like to investigate the whole ASHA Office. Ms. Buchholdt told the Committee that Mr. Elliot and the comptroller were in town today and could possibly be contacted. Mr. Hogan said he would try to find out the rental cost for the new parking facility.

ASHA
Rents

In answer to Mr. Gruening's question, Mr. Hogan said it was possible to refinance the bonds, but it might be costly to do so. Actually the interest is less by paying them off over a shorter period of time. He reported that a G.O. Bond issue was just funded at slightly over 6% and ASHA bonds are usually a full point above those. Refinancing would put the State back to about where they were when they were first sold.

(Mr. Cowper entered the meeting).

Mr. Hogan continued; the Commissioner of Administration is requiring the return of a Management consultant which was approved by the Budget and Audit Committee this last summer. This position dated back to the Egan administration when program budgeting was in. This position was to work on housekeeping and management improvement types of projects. The increase for contractual services is picking up ASHA space rental for Economic Development.

Commissioner
Office

RP
75-218

The Capital Site Sele Commission came in with a budget larger then \$800,000 so that figure had been increased. In the Initiative establishing the Commission, it was not clear what branch of government that agency should represent. It has been understood that the Commissioner of Administration will provide this representation. The Commissioner will have no control, he will simply pay bills as directed. The Budget and Audit Committee may be interested in observing this Commission from a budget standpoint.

Capital
Site
Selection
Comm.

The role of the Internal Auditor is often seen as being one of spot checking administrative operations and problems and giving solutions for them. It is not seen as conducting standard performance and accounting audits of books, etc. There is a great deal of confusion.

Internal
Auditor

In response to questions from Mr. Haugen, Mr. Hogan said the Legislative Auditor normally audits the completed year. The Internal Auditor would be looking at the design and operation of the job. He would be examining trouble spots in the administrative machinery. As to why some financial reports are three and four months behind, Mr. Hogan said it would take serious effort on the part of Administration to turn out timely reports. On the question of the fiscal year closing: This is an important item because budgeting cannot be done without knowing what was spent in the prior year. In current years the annual report has not been received until December. The reason being there is a lot of book juggling following the close of the fiscal year to make everything come out right.

(Mr. Duncan entered the meeting).

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This is because a lot of people are not managing their books properly during the year. The Internal Auditor should turn his attention to this immediately. Mr. Haugen asked if the sixty-day encumbering period after the fiscal year closed was Legislatively controlled or by Statute; Mr. Hogan said it was by Statute. He further said that it is not so much a period of re-incumbering funds, but using up funds left from the year's operation so as not to lose them. By delaying the completion of reports, more of this can be expected each year. Clearly the way to curtail this is to shorten the period; they can do a lot less in thirty days than sixty days. Mr. Haugen pointed out that no private business was run this way, that they close their books at the year end; he felt emphatically that someone should put their foot down.

Internal
Auditor

Under Administrative Services, Mr. Hogan pointed out that this year the management of the Pioneer Homes has been switched back to this Department from Health and Social Services. An interesting item is that Health and Social Services is not dropping anybody and Administrative Services is requesting more positions; how come they did not transfer their personnel.

Admin.
Services
(Pioneer
Homes)

(Mr. Haugen left the meeting).

One of the reasons for shifting the Pioneers Homes is one group of people who feel that if the management is under Health and Social Services it becomes a nursing home situation. He told Mr. Duncan he was not sure how many people in Administration were related to the Pioneer Homes; and he didn't know what happened to the people in H&SS. He said it was at least four. Normally when an agency is transferred the positions would be netted out and the new agency would say where they came from. Mr. Gruening suggested getting the H&SS people or the individuals who were filling these positions to appear before the Committee.

Mr. Hogan pointed out the transfer from Budget and Management of preparing the annual revenue estimates of the State. They have transferred the person to the Department of Revenue and the job will be done there. They are also requesting a change of part time positions to full time. The Governor has approved the \$21,000 to fund these positions for a full year instead of 9 months.

Budget &
Management

Page 37 of the Operating Budget is included to show the amount and funding of the State Employees pay raise and benefits increase; it is included to make the totals correct, and because it is chaotic to work it back into individual budgets. A lump sum is put into the Department of Administration and they feed it out to agencies when they run short of personal services toward the end of the fiscal year.

(Mr. Malong turned the chair over to Ms. Buchholdt).

Mr. Hogan said the Highway Working Capital Fund increase is the same kind of situation; last year money was appropriated from the General Fund to make adjustments in agency budgets for increased rental of equipment from the Highway Working Capital Fund.

DEPT. OF
HIGHWAYS
Working
Capital
Fund

3/14/75

A central appropriation was made to the Commissioner of Administration to be allocated to the various agencies during the year. In response to Mr. Duncan, Mr. Hogan explained that the agency buys a new vehicle the first time around; then begins paying rent to cover the up-keep, maintenance and replacement of the vehicle. He also said there was a substantial difference of philosophy. Fish and Game went to a direct appropriation method to handle equipment needs. Mr. Duncan felt the vehicles were being paid for twice, and it seemed to him that the agency might get a better deal if they did their own purchasing. Mr. Hogan said one of the arguments for a working capital fund is that by doing the centralized purchasing for the State, they would be able to effect the better deal and they would provide maintenance and up-keep. This would work better if there was a central location where maintenance could be carried on. There are many instances where it can be proven cheaper to do business locally then through the working capital fund. He didn't think this had been weighed recently by the Legislature.

Highway
Work Cap
Fund

(Mr. Gruening left the meeting).

One real problem with the Working Capital Fund is that Highways is forever sloughing positions to them which the Legislature seems to think costs nothing. All their operating money comes from the General Fund money from other budgets.

(Mr. Gruening re-entered the meeting).

Mr. Cowper asked if there were savings made by this type of purchasing; Mr. Hogan answered that there were actual instances on file where they know this was not done; they had seen some "favored nation" agreements. Mr. Duncan wondered if there was any rationale to go to a policy of making payment for maintenance and up-keep but not for replacement. Mr. Hogan said there was substantial justification to do that; they would put the agency in charge of purchasing instead of it going on automatically. He felt this to be a very viable alternative; at least one would know what was going on.

DEPT OF
ADMIN

The Division of Personnel has two programs: Personnel Management which is the selection of employees to work in State Government; and Employee Relations which is the States response to the Collective Bargaining Unit. They are requesting substantial increases authorized by the Governor. There are many contractual arrangements they must handle, and the Division of Personnel says they need a group to keep track of the records that resulted from Collective Bargaining. Mr. Hogan said there are six people working with negotiations and they have requested. Mr. Parker remarked that is almost one person for every contract.

Personnel
Management
Relations

Mr. Hogan commented that the Legislature had a bill between Houses at the present time that would make certain Division directors positions subject to Legislative confirmation. One is the Director of the Division of Personnel. Mr. Parker said this included all the deputy commissioners and division directors.

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Mr. Hogan said Legislation such as this would allow for a better chance to ask questions about the operations of the Personnel Division. It appears to be a cumbersome system to him. He questions a system designed in the 1930's to keep people out of State Government and wondered if it was time to explore a change in attitude.

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

RECESS

AFTER RECESS

1:50 p.m.

Committee Members present: Chairman Malone, Ms. Itta, Messrs. Haugen and Duncan.

PRESENT

Members absent or arriving late: Ms. Buchholdt, Messrs. Guy, Naughton, Gruening and Cowper.

Others attending from the Department of Revenue:

GENERAL
GOVERNMENT

Fred Boetsch, Deputy Commissioner of Revenue
Lawrence Eppenback, Deputy Commissioner of Treasury
Jerry Heier, Director, Property Tax Division
Ralph Kimlinger, Director, Revenue Collections
Phil Wall, Director, Administrative Services
Gary L. Jankins, Director, Audit Division
Jerry Couzin, Fiscal Officer
Clyde Benson, Petroleum Property Appraiser (Anch)
Mike Lewis, Field Officer (Tok)

DEPT. OF
REVENUE

Wayne Weeks, Budget Analyst, Budget and Management

Collector

Mr. Lewis pointed out a clerical error on page 910 of the budget book; the amount carried forward on contractual services should read 48.0 which would change the amount from \$268 to \$280.9. This was merely an error in transferring the figure.

Border
Inspect.

The Tok Field Office is a multi service office; they have interagency agreements with six other departments to handle some of their responsibilities, described in the Definition Statement (Form 1). In addition to the Tok Border Station, they also handle the Tourist Center for the Division of Transportation. Mr. Haugen asked about the revenue generated; and was told that last year they had returns of \$60,395. This year from January 1 to March 1 they had already \$29,000 deposited. He reported seasonal fluxuation, but stated that it was beginning sooner and going later. A lot of this was contributed to the pipeline factor; an increase in truckers who are providing logistics to the pipeline.

Responding to Mr. Haugen's questions concerning the Canada route, Mr. Lewis said Canada requires individuals to have \$175 or \$200 in cash before entering Canada; there was no requirement coming into Alaska that he knew of. Mr. Haugen commented that people seemed to wind up broke in our country.

Mr. Lewis said there operation was round-the-clock; the budget request includes ten people, and told the Chairman they

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were running presently with nine people, counting himself; four people work on days, 7 days a week; 4 people work evenings, 7 evenings a week; and one is on "graveyard". They only work 5-day weeks, but the operation is open seven days a week. The overtime costs are primarily for holidays which they have to pay for.

Mr. Duncan referred to a revised program adding three people; Mr. Lewis told him these were three temporary employees who will assist on a temporary basis from May 15 through September. There were increases due to the pay raises.

The matter of out-of-state licenses was brought up. Mr. Lewis said, in response to questioning by Mr. Haugen, that a person must be licensed immediately upon establishing residency or getting a job, but they can spend 90 days as a tourist if they are merely travelling through.

Question was raised about the Tok Visitor Center. Mr. Weeks said that that was a one-time appropriation for their city information center. It didn't really fit in very well anywhere. Mr. Lewis said that this was transferred into the Division of Tourism.

Mr. Duncan asked if they do any vehicle inspection in Haines. Mr. Lewis said that there is a scale house there but the Department of Revenue has nothing to do with that. That is a function of Weights and Measures in the Department of Labor.

Ms. Itta, looking at the program accomplishment plan on page 909, noticed that they had issued 80 citations. She asked what kind of citations those were. Mr. Lewis said that they were for violations of exceeding permits -- primarily they were overweight. He said that they do issue citations sometimes when they find gross violations in safety equipment, especially for flammable materials or explosive-type materials.

Mr. Gerald Heier, Director of the Property Tax Division, was introduced. He distributed a hand-out which included a written statements which he proceeded to read (attached). He also distributed a report on the remaining economic life of one of the oil fields in Cook Inlet Basin (see categorical files) to show the committee what kind of analyses they receive.

Property
Tax

Looking at the chart attached to Mr. Heier's narrative statement, Mr. Haugen asked about the municipal government portion. Mr. Heier said yes, that that is the portion that goes to municipal governments and those areas are only in the areas where the taxable properties are located.

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Mr. Malone, looking at the budget, said that it shows a decrease in the section from 12 to 11 positions. Mr. Heier said yes, there is a reduction of a clerk typist who they will not need in FY 76. Mr. Malone asked if that would be true if the state would enact the new property tax on the value of the leasehold interest. Mr. Heier said that if the state were to enact a tax on the leasehold interest reserve, the help he will need will not be a clerk typist. He will need additional consultant services, petroleum engineer, geologist...in other words, more professional positions.

Mr. Haugen commented that the fish tax has been of equal distribution to all the citizens in the state, which he has found quite upsetting. He thinks the way the property tax is handled is much more reasonable.

On the construction of the TransAlaska Pipeline itself, Mr. Malone asked as the construction goes on, how does the state pick up property on the tax rolls. Mr. Heier said they do it basically by reports supplied to the Department from Alyeska -- costs from their cost accounting and pay records. They do inspect the properties, also. They check some of the camp sites and this last year basically they were just moving in equipment and doing groundwork in Valdez. The division will continue to inspect construction. Mr. Malone said then that they also keep track of the other equipment associated with oil and gas exploration -- the contractors' equipment. Mr. Heier said yes. Mr. Malone asked if this also includes the service companies in the oil fields and operations like that, and Mr. Heier said yes. Mr. Malone asked if this goes as far as things like pick-up trucks that don't generate a lot of revenues, and Mr. Heier said yes, it can. Mr. Malone asked in looking at the overall taxes, are some aspects of administering the tax more expensive than others -- do they just average it out or what do they do to make it most efficient. He wondered what sort of trouble they have run into with mobile equipment. Mr. Heier said that from the point of view of economics and discussing mobile equipment, they concentrate primarily on large companies. The industry oriented companies are not too hard to keep track of. They get reports from the oil companies themselves -- the users -- listing who has done contract work in the past year. They follow up from that. He continued stating that they concentrate on the major properties. From the economic point of view, they really cannot afford to run down all the people with perhaps a pick-up or something like that. Mr. Malone asked if the present system is working all right or would it be easier to exclude certain classes to make it easier to administer the tax. Mr. Heier said that the present system is working very well. They work very closely with the local borough assessors, and exchange information with them. They serve as a cross-check for each other.

In comparison with other types of taxes, Mr. Malone asked where the revenues generated versus the cost of administration fall. Mr. Eppenback said that they have a schedule listing these costs

for all the taxes they administer and he thinks that property tax falls somewhere around the middle. The cost should go down as time goes on, he said. Mr. Malone asked if the oil lease tax is enacted, would that require a substantial increase in the budget to administer it, and Mr. Heier said yes.

Meeting recessed at 2:30 p.m.

RECESS

AFTER RECESS

2:35 p.m.

Present at this time besides committee members were Lt. Governor PRESENT Thomas; Director of Elections Patty Ann Polley; Ann Mawn, Administrative Assistant in the Governor's Office; Wayne Weeks of Budget and Management.

Chairman Malone called the meeting back to order, stating that the committee would now be examining the budget for the Office of the Governor. He invited Lt. Governor Thomas to make any opening comments. Mr. Thomas said that Ann Mawn, Administrative Assistant, was present and he said that after his general comments he would ask her to give an overview of the budget.

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Mr. Thomas said that the duties of the Lt. Governor's Office are varied, and already several new duties have been added to the list. One of the major new responsibilities is the Growth Policy Council and that will take a lot of his time and staff time. That helps to explain one of the requests in the budget -- a Policy Program Manager I. He commented on the upgrading of the position of a Clerk-Typist III to Administrative Assistant. This is in order to cover additional duties for the Executive Director. The Administrative Assistant is presently doing the work of an executive secretary as well. The Lt. Governor also heads up a task force on disaster relief, he mentioned.

At this time, Ms. Mawn gave a brief review of the budget. The increases in the Lt. Governor's budget include reclassification of one position; overtime allotment for peak work periods for elections; new position of Policy and Program Manager I who will have an administrative and research capacity and will travel with the Lt. Governor and work on special projects not currently adequately covered due to lack of personnel. Increases other than personal services are: Travel, maintenance increase per inflationary travel costs and increased per diem; Contractual, significant increase in Code 320 for publication of Administrative Code Register; Equipment, increase reflecting inflation and one space-conserving filing system which is necessary because of the tremendous volumes of filing which the Lt. Governor is responsible for.

There was discussion on the reprinting of the Administrative Code. There was an up-date of the Administrative Code in 1973 to bring it up to requirements of the law. The number of filings each quarter constitute the register. These have continued to raise steadily -- from 6,000 to 10,000 in just a few months. The size of each is dependent on the number of regulations filed. The contract with Book Publishing Company is do to expire in February , 1976; and it is likely that with increased paper costs and publishing costs a new contract will reflect these higher charges. The Lt. Governor's Office is requesting an addition \$6,000 and this is for reprint of the Administrative Code. When the present copies run out, Book Publishing will not reprint them unless it is subsidized by the state, and as of March no codes are available to the public. There are only 35 copies left. Mr. Malone asked what it costs for a set, and Ms. Mawn said that it is around \$60 and then there is a subscription cost to keep it up to date.

In looking at other contractual services costs, Mr. Duncan asked about the election pamphlets and publications. Mr. Thomas said that they will propose instead of sending those pamphlets out to every registered voter, sending one to each household to save the cost of some copies. Last year he said that he thinks that was the unofficial practice.

Back to the Administrative Code, Mr. Haugen asked if they charge for the Code. Ms. Mawn said that they do not sell them themselves. If private individuals wish to purchase the code, they give them the name and address of Book Publishing. The Lt. Governor's Office does give complimentary copies to about 100 people, including legislators. Other than the complimentary copies, they are not distributed directly by the Lt. Governor's Office. Ms. Buchholdt asked if they handle the statutes that way, and Ms. Mawn said no, they do not handle the statutes in their office at all. She repeated that there are only 35 copies of the Code in stock and that there will be no more than that unless the state authorizes a reprint and subsidizes that reprint. Mr. Malone asked what the subsidy is and Ms. Mawn said \$5900. That is 250 copies, and the state would receive 100 of those.

Mr. Duncan asked about the Policy Program Manager I. Ms. Mawn said that this position would handle the Conflict of Interest statutes, Campaign Disclosure Act, and such duties as that. The expertise and the time necessary to deal with these matters is not presently available in the Lt. Governor's Office. Mr. Duncan asked, while realizing that some of these duties are new, who took care of these things in the previous administration. Ms. Mawn said basically, no one. Even the Policy Program Manager II is a new position and was implemented in July. Before that all the positions were clerical.

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Mr. Thomas said that he thinks that the Conflict of Interest matter is going to be a really big task. There are a number of people who improperly fill it out, and he said that it is the feeling of his office that whenever possible they should be sent back to be corrected. Mr. Malone said that he had written Mr. Thomas a note referring to the assets over \$500 provision in the law, and he wondered if there is legislation clearing that up. Mr. Thomas said that he thinks that there is something in the Governor's bill about that.

Patty Ann Polley, Director of Elections, was introduced and requested to give an overview of the Elections budget. She said this budget request covers a year when they do not have any statewide elections scheduled. As a result, the budget is down quite a bit from this year -- \$394,000 as compared with \$808,000. She noted that of course they do not need any temporary help for extra workload as they do during statewide election years. They are requesting reclassification of a Clerk Typist III position in the Southeast Supervisor's Office to a Clerk Typist IV, with additional duties and people registering to vote. Other than that, the budget is basically a maintenance budget and there are no other additional changes. Elections

Mr. Thomas noted that they requested some other changes, but they were denied. They had requested an office in Kodiak.

Ms. Polley mentioned that two bills have just gone in regarding the election code -- one in the House and one in the Senate. These provide some long overdue procedures. She said that they felt that the punch card ballots should be in the law as paper ballots are not in the law.

Mr. Malone noted that between election years, Elections concerns itself with voter registration and municipal incorporation elections, and he wondered what else. Ms. Polley said that they are also concerned with advanced planning for 1976, splitting precincts needing division, running incorporation elections like the Eagle River-Chugiak election (several of those are scheduled). Mr. Haugen asked if the state supervises and pays for municipal elections and Ms. Polley said that the state supervises and pays for incorporation elections for municipalities.

Question was raised about efforts to keep the registration lists current. Ms. Polley said that on February 28, they sent out over 16,000 letters to voters who appeared on their lists as not having voted in the past four calendar years. They are now receiving those back. She estimated that they have gotten 1500 letters back saying that the people wish to remain on the registration list. They actually have 90 days within which to notify the Elections office if they so May 28 would be the time when names

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will be removed from the rolls.

Mr. Malone asked if registrations are running any differently from other years. Ms. Polley said things are running about the same except in the Fairbanks area where there is increased activity. They have appointed recreation directors at Alyeska camps as registrants so that those are additional. Mr. Parker asked what the wisdom is of registering Pipeline workers. Ms. Polley said that they were approached by Alyeska to do so. She said that at the time these people register, voter cancellation cards are sent to the states they are from so that they are not registered twice. She felt that in this way, people who do not intend to remain Alaska residents would not be as likely to register. Mr. Parker was appalled at the idea of registering these people and was very concerned about possible impact of such activity. Mr. Thomas said that it is their policy that if these people choose to call themselves residents and say they want to stay here, then they have to give them that right. Mr. Parker said that it is the idea of the out-reach that bothers him. Mr. Thomas did not feel that it was really outreach -- it is just making registration available. Mr. Malone wondered if it was possible to figure how many registrants are coming from down south. Ms. Polley said that they could calculate from the number of cancellation cards. Mr. Malone asked for a report on this through February.

Ms. Itta asked what kind of coordination exists between the supervisor's office and the rural areas. Ms. Polley said that actually the supervisors correspond with the registrants fairly frequently. The supervisor also travels to the areas. Ms. Itta asked if she has ever gone to Prudhoe Bay. Ms. Polley said that she did make a trip last summer along the Pipeline camps, talking about registering people to vote. Ms. Itta asked how the response was. Ms. Polley said that they did get a lot of new registrants. She had explained to everyone that registering in Alaska would cancel out their voter registration in any other state. A lot of people did not want to register for that reason. Mr. Malone asked how long a person has to be in a state before they can register, and Ms. Polley said 30 days before the day of election. Particularly when they get close to an election, a person could arrive in the state and register on the same day if they planned to be there on election day. Mr. Duncan asked, then, if a person could come in 30 days before an election, register, vote, and then leave the state again; and Ms. Polley said yes, theoretically yes -- however, they would have cancelled their voter registration in their previous state. Mr. Thomas commented that it used to be 75 days and that is one of the amendments that his office has offered. He said that he thinks the definition of residency has to be tightened up. It is so much based on intent, and they have run into a number of problems with elections over that intent.

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[Mr. Gruening entered the meeting.]

Mr. Parker asked the Lieutenant Governor what fraction of his time is spend in elections. Mr. Thomas said that it varies. A month ago at least 50% of his time was involved with elections; at present hs is not doing very much at all with elections so he would say it is a "sometime thing".

Mr. Parker asked what portion of this budget is elections. Mr. Gruening pointed out that Lt. Governor and Elections have been broken out separately. Mr. Parker, referring to the statement that the Governor has added a lot of duties to the Lt. Governor's Office, asked if that is going to take time away from Mr. Thomas' election duties. Mr. Thomas said that he doesn't think it will be a problem.

There was discussion on the punch card system. Mr. Thomas said that he does not think the problems they had during the last election could every happen again. Ms. Polley said that they have the punch card system only in Anchorage, Fairbanks, and Juneau because they are the only places with a computer to count them. Mr. Malone recommended trying out the style of punch card in the future to see if there are problems.

[Mss. Polley and Mawn and Mr. Thomas left the meeting.]

Mr. Warwick, Commissioner of Administration, was requested to DEPT OF give an overview of his portion of the General Government budget. ADMIN. He introduced Kellus Sewell, Administrative Officer, and said that Mr. Freer, Deputy Commissioner, was tied up in negotiations and so was unable to be present.

[During testimony, Mr. Malone left and Ms. Buchholdt assumed the chair. Commenting about the budget in general. Mr. Warwick said they General recently had a presentation by IBM on work processing centers. Info. This is a sophisticated approach to typing pools. In their presentation they mentioned that over the past 15 to 20 years the support staff ratio has gone from 1 to four to one to one. That is in the private sector -- and Mr. Warwick said that in his department operations are very similar. The Department of Administration provides support to all the other state agencies. A number of things in the last couple of years have had substantial impact on the Department of Administration. There has been an "explosion" of equipment which has contributed to the requirement for more support, for one thing. Also, he said that he for more support, for one thing. Another contribution to the increased workload is the complexity of our social system having to do with taxes, regulations, etcetera. He remarked that every time the legislature passes new legislation having an effect on an individual or group of individuals requiring additional work, this increases the load. He thought this is

something that perhaps the legislature should think about when they are passing new legislation. (He commented that he is an accountant, and when he was doing his taxes last year there were six different tax rates and the tax work was terribly cumbersome and time consuming.) Collective bargaining has been increased the workload in the department very much. At this point he said that he must present another increase in the Division of Personnel budget. They have proposed to change the Division of Personnel to what they would refer to as the Division of Personnel and Labor Relations. This will be another \$100 to \$150,000 if the legislature will go along with this.

Back to the general overview of the budget, Mr. Warwick said that in their budget there are two items he felt he should call to the attention of the committee. There is an \$800,000 item to cover costs of the Capital Relocation Commission. He said that he understands they recently came in and asked for more money. They have recently put it in their (Administration's) budget because there was no place else to put it. If the legislature chooses, the department can handle the administrative function of that committee -- their payroll and paying their bills. He said that there was also Around \$200,000 that would cover the rental space of the Department of Economic Development. Someone has to pay ASHA payments. Administration will then charge whatever department uses the building.

Going through the budget, Mr. Warwick commented that Executive Administration takes in several functions -- Internal Audit, Office of Commissioner, Budget and Management and Administrative Services. Exec.
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Commissioner's Office. The department requests the reinstatement of a management consultant to assist the commissioner and deputy commissioner. This position existed in three of the four years of Mr. Henri's "reign". When the person who filled that position left, the position was dropped. He said that he has some very serious projections that he would like to undertake and the workload does not allow him to get involved in it. This position has now been authorized by the Budget and Audit Committee. Com's
Office
Mr. Malone asked what the special projects are. Mr. Warwick said that a number of them are brought out in the audit report. There are various problems in the data processing center, problems in the accounting division. There needs to be considerable work done in data processing and finance. He wants to be able to divert a substantial amount of the tension in these areas. As for new projects, he commented that he thinks one of the most serious mistakes a commissioner of Administration can make is to "sit back and do nothing". Work processing is something that they want to do. The management consultant would be helpful here, though not necessary. As for other new areas, Mr. Warwick said that it is difficult for him to more clearly

define them. He said that they are in a state of flux.

Internal Audit. They also requested a deputy director of Internal Audit to work as a working auditor to help better analyze the needs of this section. He pointed out that due to additional emphasis on internal audits, the needs of that section have increased. Rather than get into financial audits which Legislative Audit takes care of, they want to get into performance audits. He feels this can be very valuable to the administration.

Internal
Audit

Pioneers' Homes are also being returned to Administration. They have the statutory authority for the program, and had contracted it out to Health and Social Services in anticipation of receiving federal funds. Now it looks as if what they have been paid will have to be given back. This return of the program will necessitate two more people. Mr. Gruening asked how many people they have in Health and Social Services for this -- and will they be deleted from their budget. Mr. Warwick said that this was brought up at Budget Review and Health and Social Services insisted that they were understaffed in Administrative Services and could not afford to lose the two positions. In fact, they requested one more. They were very emphatic and adamant about this. He said that they left the burden of proof with Health and Social Services in their presentation before the legislature. Mr. Gruening asked what H&SS anticipates these people doing once the transfer is made. Mr. Warwick said that they will be working with existing staff in H&SS which they maintain is seriously understaffed and is creating problems with employee morale. Mr. Gruening asked why this is a problem this year; why do they need more people. Mr. Warwick said that he thinks that in the past they have asked for more monies in administrative services and very routinely these requests have been turned down. There undoubtedly have been increases in their administrative services budget but it has not been to the degree that they have asked. He said that he would think that the budget the Budget Review Committee has authorized is probably adequate now to see them through. It is difficult to go in and make an absolute determination as to the necessity of additional employees. He said that they took them at their word.

Admin.
Svcs.

Going back to Internal Audit, Ms. Itta said that she understands that there are a number of problems because of the grace period and she said that she has a feeling there may be a lot of "book-juggling" during that period. She wondered if the department is looking into this. Mr. Warwick said that they look into that as a matter of course. "People are people" so to speak, he stated, and he said that they cannot "ride herd" on them all the time.

Internal
Audit

In response to questioning by Mr. Duncan about positions in Administrative Services, Mr. Warwick said that he is hopeful they will be able to handle increased workload with what they have plus the additional positions allowed by the Governor. However, he commented that his personnel officer would like to have more positions, particularly for payroll functions. Tri-trades has created some problems; it takes a lot of work in order to comply with terms of the contract. The operation for Pioneers' Homes will be increased, too, with the advent of the home in Anchorage and Kotzebue. There will be a significant increase in the number of beds and the number of dollars spent. The Pioneers' Homes budget has increased, to reflect the number of beds and they have a Director of the Board now in Juneau to give better coordination. "It's a big business now." Mr. Duncan asked if the new homes are going to be done in this year. Mr. Warwick said that Anchorage will be done about the end of the fiscal year or a quarter of the way into next year; Kotzebue should be finished by this time next year. Mr. Duncan asked if they will be coming in with requests for new positions. Mr. Warwick said as far as staffing the homes, absolutely. As far as from the administrative end, he did not know although he thought that the likelihood of that is reasonably good. If they are granted positions this year, they will see how they get along with them and by next year will be able to make a determination as to the necessity of any others.

Admin.
Svcs.

Budget and Management. Ms. Buchholdt asked where transferred position is. Mr. Warwick said that they transferred one position out to Revenue because Administration is presently compiling the Revenue Source Book. It has been their responsibility. Actually the information comes from Revenue, however and they thought that they would be in a better position to put out the publication.

Ms. Buchholdt wondered about positions left vacant by people retiring, quitting, etc., and wanted to know if they plan to rehire positions or if they are trying to cut down on new employment. Mr. Warwick said that traditionally when a position is vacated, they refill it. What they would like to do is develop a different approach to the entire situation -- like developing work processing centers. He said that the number of clerk typists is 500. There is quite a vacancy and turnover rate, and they feel that by developing these work processing centers they can significantly reduce the support to principals. They think by this method they can at least reduce the rate of increase. In direct response to Ms. Buchholdt's question, Mr. Warwick said that he doesn't think there is a single position they are dropping because of a person retiring except for one in Budget and Management.

Mr. Duncan raised question about the Division of Personnel and

the hand-out (copy in categorical files) proposing establishment of a three-position research unit to collect and maintain information on salaries and fringe benefits. He noted that these are fairly high level positions. He inquired about the Labor Research Chief. Mr. Warwick said that s/he would be similar to a deputy director. Functions of the unit would include the chief analyst possibly being a member of the state's negotiating team, computing monetary impact of union proposals and the state's counter-proposals, being involved in research to supply information and back up for the negotiating teams for the state and also making such information available to the management negotiators of the University of Alaska and local governments to assist in their negotiations. Additionally, the department is requesting expansion of the Employee Relations/Negotiations section. Finally, their request for change also includes adjustments to the existing organization per new responsibilities, particularly for the addition of an administrative officer.

Mr. Duncan asked if the positions involved in negotiations (the chief analyst in the research unit) would be classified positions. Mr. Warwick said yes. Right now positions involved are in the confidential unit. Mr. Duncan was very concerned about possible conflict of interest and Mr. Warwick said that he could understand his concern --it is a very real problem, and one he hopes they can eventually come to grips with. Mr. Duncan asked who bargains for the confidential unit, and Mr. Warwick said that they take substantially what the general government employees get. In response to further comment by Mr. Duncan, Mr. Warwick said that with the people they now have on the negotiating team there is not really a problem. He admitted that the directors or deputy commissioner would benefit directly or indirectly, but he said that he doesn't really see any way of getting around that. The legislature has recommended professional investigators. He commented that Mr. Saylor's was strongly opposed to that approach before, but now feels differently. He said that it is ironic that this administration is taking the same approach as the former, because it is the only one they can take. Mr. Parker asked about the contractual services. Mr. Warwick said that that would be for bringing in professional negotiators. He reminded the committee that what they are discussing is just the add-on to the budget, not the complete amount. In response to Mr. Parker's questioning about personal services and who will do the contracting work, Mr. Warwick said that it is difficult to say who they will be contracting with, or what the costs will come to. For example, in the upcoming Tri-Trades negotiations, they have hired a professional negotiator to head up the state team at \$45 an hour. Mr. Parker asked if when it comes to APEA they plan to stick with in-house negotiators but with Tri-Trades they will go outside, and Mr. Warwick said that that is what they are trying now. Mr. Parker asked about the professional negotiator coming up for the Marine Transportation negotiations, and Mr. Warwick said it is the same person. They are having problems already because he has other commitments and they have to work

their schedule around him. Mr. Parker asked if the plan, then, is to have in-house people and one professional and Mr. Warwick said yes, except with APEA and the Confidential Unit. Mr. Parker asked what if they come back next year and find that the additional money requested has been used to hire someone else. He further commented that yesterday the Marine Transportation people had testified that they are separate from Administration and they handle their own negotiations; and from what he could tell they are having little or no luck. He asked if that is different now. Mr. Warwick said that the Governor intends to have one agency handling collective bargaining. He said that he has talked with the Commissioner of Public Works and they have tentatively agreed to the concept. There are a few problems, which he said he was not sure that he could delineate, but they are hopeful that this will be an acceptable arrangement. A problem could develop with the Marine Transportation unions. In the past they have not wanted to negotiate with non-union personnel in Public Works. Mr. Parker asked if the contract will be bargained for before it runs out so that it will be in this fiscal year. Mr. Warwick said that it is hard to say. They are hoping to begin sooner, but the state is somewhat at the pleasure of the other side. For instance, with Tri-Trades, the state would have liked to begin negotiations a month ago, but Tri-Trades has been waiting for the outcome of the dispute with APEA. Mr. Parker said that he personally likes the idea of one unit. He asked what the policy will be between now and when this would take effect. Mr. Warwick said that the intent would be to make do with the personnel they have now. There was brief discussion on the revised program (RP 75-46) which transferred money from contractual services to personal services and travel within the Division of Personnel and to the Labor Relations Agency. Mr. Warwick attested to the fact that there is a great deal of work in the Labor Relations Agency. They have a tremendous amount of work to accomplish; for example, Unfair Labor Practices is a big job.

Mr. Duncan asked where the negotiations are held. Mr. Warwick said that they are now at the Hilton. They were held in the finance committee rooms before the Legislature convened. They pay \$30 a day at the Hilton.

Meeting recessed at 4:05 p.m.

RECESS

AFTER RECESS
4:20 p.m.

Chairwoman Buchholdt called the meeting back to order. Present at this time from the Division of Communications were Mr. Mel Hoversten, Director, and Dave Fulton, Deputy Director.

PRESENT

Mr. Fulton said that basically their division is a service organization for other state agencies and their budget does not reflect any

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major changes except that the capital portion was pulled out and put in a separate budget because it was quite large. They had a lot of requests from other agencies for communications gear.

Mr. Guy said that he noticed a substantial reduction in contractual services. Mr. Hoversten said that under teletype, the Department of Administration has take over part of that system. His division pays for the long lines.

Ms. Buchholdt asked for an explanation of the operations, asking if it is mostly maintenance. Mr. Hoversten said it is mostly maintenance. They have shops in Juenau, Fairbanks, and Anchorage which services equipment for Fish and Game, State Troopers, Highways, and anyone else who deals with radio communications. They run some teletype system for any agencies that want to use it.

In response to questioning by Mr. Guy, Mr. Hoversten said that they do all the installations of troopers' radios. Mr. Guy asked what is involved in providing assistance to Fish and game. Mr. Hoversten said that they install the radios, set up stations so that they can talk into their camps. They do the same for Highways.

Ms. Buchholdt asked if they do the maintenance as well as the initial installation. Mr. Hoversten said yes. They also provide maintenance for Marine Transportation on their radios. Mr. Fulton expanded a little more on the functions of the division. They are given a request by an agency with the requirements for what is needed. Then they engineer the system, purchase it, install it, and maintain it. They also do the licensing, working with the FCC. They are the licensing agency for all of the state. Ms. Buchholdt asked how many villages they service. Mr. Fulton said roughly 70. That comes under another BRU -- Remote Village Radios. Ms. Buchholdt asked what their relationship with RCA is. Mr. Fulton said that it is poor. Mr. Hoversten said that they lease some lines from RCA.

Mr. Duncan noted that requests for equipment by state agencies was disallowed by the Governor. Mr. Hoversten said that it is still in -- it is included in the \$1.7 million capital budget. Mr. Duncan asked what it is for. Mr. Hoversten said that they buy the two way radio equipment for every state agency. They work with them in figuring out what they want at budget time. When this list came in, it was almost more than the division's regular budget -- mobile radios, stations, single side-band for Fish and Game -- they are all listed out in the capital budget. Mr. Hoverson said that every piece of equipment they buy now -- base stations, repeaters, etc., can tie into the long lines. Mr. Duncan asked if this equipment will become obsolete, and Mr. Hoversten said absolutely not. Mr. Duncan asked if it will fit in with telecommunications, and Mr. Weeks said that the new equipment being purchased will. The equipment purchased in recent years will not be obsolete. He also

mentioned that in most of the other agency budgets, the request for this equipment will not show; it is shown only under Communications.

Mr. Fulton said that some of the equipment is required by federal law to meet upgrading for vessels. The requirement is set by law, and the time limit is fixed. If they don't get the equipment, they will not get federal money.

Ms. Itta asked what their relationship is with the Alaska Educational Broadcasting Commission. Mr. Hoversten said that they don't have any. That's a different operation.

Mr. Gruening brought up the subject of federal deadline for replacing equipment; many of the radios are 20 years old. He asked what the deadline is. Mr. Hoversten said that it is different for different pieces of equipment, but everything must be replaced by no later than September 1977. This does not mean all the equipment that the state owns; it is just certain equipment.

Mr. Gruening asked if that equipment being originally put in the operating budget was just a mistake. Mr. Weeks said that when a figure is over \$10,000 it is better reflected in the capital budget. There was \$721,000 in equipment. The Governor denied only one piece of equipment. Mr. Duncan asked if this will do the job or do they expect next year's capital budget to have still more increases. Mr. Hoversten said that if there are additional state troopers, they will be more radio equipment needed. Mr. Duncan asked as far as replacement and conversion of present equipment this will do the job, and Mr. Hoversten said yes.

Mr. Fulton said that they still have a long way to go, however. Highways, for example, have a situation up by Paxson; they have to be able to communicate to camps and that means getting into a lease line or microwave system. He said that they have lost some people up in the Pass. There must be a communication system set up for safety of life and property.

Mr. Gruening asked if the various agencies they get charged for their portions of this equipment. Mr. Hoversten said no. Mr. Gruening asked if it shows up in the agency budgets, and Mr. Hoversten again answered no. Ms. Buchholdt asked why they don't have an inter-agency receipt system like other service agencies. Mr. Hoversten said that he thinks they tried that a couple years ago and it got quite complicated with paperwork, etcetera. Mr. Gruening asked if they do the purchasing. Mr. Hoversten said that they write up the specifications and Administrations puts out bids. Mr. Gruening asked if there is any effort for "group rates"; what kind of deal does the state get. Mr. Hoversten said that it

depends on how much they buy at one time. Prices are generally listed out and discount varies from 10 to 20%.

Ms. Buchholdt asked about their Pipeline budget. Mr. Hoversten said that the Pipeline budget, especially for equipment, is for Highways. They are putting in new camps and need communications for them. These are base stations -- one at each camp and they talk to mobile radios.

Mr. Guy asked about the new positions requested on page 168 of the short form, noting that they were prioritized. Mr. Hoversten said that that was at the direction of their budget analyst. They feel they need both positions.

Mr. Hoversten had mentioned that they do work for Public Safety; Mr. Guy asked what they realize in receipts from Public Safety. Mr. Hoversten said that they are general funded -- they don't charge Public Safety. Last year they did get money from Public Safety; they had a job needing to be done on their telex computer in Anchorage and they agreed to furnish money if Communications would furnish the position.

Mr. Guy referred to the budget document supplement in which it gives the man hours spent on installations and maintenance during FY 74 and asked how that converts into man hours. Mr. Fulton said that it is 950 man hours per year per person. He commented that their technicians are maintaining well above the national average for pieces per person -- 50 to 70% over the national average, they are doing 175 pieces per person plus a lot of travel. Mr. Guy said that he noticee the number of teletype messages sent in FY 75 was 68,600. He asked how much it costs to send out a teletype message. Mr. Fulton said \$1.00 at the time; they are now projecting \$1.15. Inflation on that has been held down pretty well.

Mr. Guy asked if they do any research work in their agency, and Mr. Hoversten said no.

OFFICE OF
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Messrs. Hoversten and Fulton left the meeting. The committee moved on to discussion of the Telecommunications budget. Mr. Marvin Weatherly, Executive Director of Alaska Broadcasting Commission and also Director of Telecommunications, and Hilary Hilscher, ~~Deputy~~ Deputy Director of the Governor's Office of Telecommunications, were present at this time to go over the Telecommunications budget. Mr. Weatherly distributed a prepared statement (attached) which he read to the committee.

Telecomm.

Ms. Buchholdt asked about their reasons for wanting a newsletter -- what it will entail, how often it will come out, etc. Mr. Weatherly said that it is to inform Alaskans about what is being done and to solicit input from as many people as possible. He said

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that in looking through budgets, one may find little pockets of money dedicated to telecommunications planning that should be in his office; however, people do not know that his office exists or what their functions are. Ms. Hilscher said that they figure on a monthly or bimonthly newsletter. Mr. Gruening asked what their contractual services entail. Ms. Hilscher said that there is a breakdown of those. Mr. Weatherly said that they are heavy in contractual services because unfortunately they require services of consultants; they cannot afford full-time positions. For example, a satellite system analyst's services were required. They are also getting into the area of legal representation to a degree. They utilize University of Alaska personnel for some areas. Ms. Hilscher spoke to their present staffing. They have a part-time crew and if federal funds do not come through they will still have adequate staff to maintain a production studio. Mr. Weatherly said that they are going to have a large task involved with the legislative interim committee. Their desire is to work closer with them and bring them into the planning phase. In order to do that they must have consultants for necessary input on the technical side. Mr. Gruening asked about the consultants at the University and wondered if they are already employed by the University. Mr. Weatherly said that some may be. He said he doesn't like to go outside the state for consultants so he tries to use the University whenever possible. Mr. Gruening asked if their contracts are with the individuals or with the University. Ms. Hilscher said that they haven't been on a contractual basis yet. Mr. Weatherly said that they have been using University money. The contracting would not be done with the individuals. Ms. Buchholdt asked what the administrative assistant would be doing. Ms. Hilscher said that they do not know who that would be. Mr. Weatherly said that they surely do need one. They have nothing at the present time, except Ms. Hilscher. They do have a part-time secretary on almost a contractual basis. What they are looking at for next year is an administrative assistant who could also type. In the office in Anchorage, his secretary for his "other hat" (EBC Executive Director) has been impacted by a great deal of telecommunications work. In response to questioning by Ms. Buchholdt, Mr. Weatherly said that the Educational Broadcasting Commission has historically been very aggressive about telecommunications. He said that in the total picture of state-wide communications, rural Alaska is the highest priority.

Mr. Duncan raised a question about RCA and their responsibility under the original certificate of convenience they were given. He asked if that is being followed by RCA. Mr. Weatherly said that it is not being enforced. RCA and the bush phone system is 80% incomplete. He thinks it is too late to try to enforce their responsibilities. The rates are high enough as it is -- all that will happen is that they will continue rising. Mr. Duncan said that he didn't understand why increased costs would

not be borne by RCA. Mr. Weatherly said that that was one of the conditions of the ACS purchase. According to the report to the FCC they have expended close to \$100 million so far, which is considerably over what they had figured. Mr. Duncan said they have spent \$100 million which puts them over the figure they indicated that they ought to spend, but they have not done the job. He asked why the state should "let them off the hook". He said that it seemed to him the state would still be ahead to go back and force them to do what they should already have done. Mr. Weatherly said that he thought that might be rather like "beating a dead horse". He said that they have requested a GAO audit of the RCA system. He questioned what options there are. Mr. Duncan said that there is the option of making them do what they were supposed to do in the first place. Mr. Weatherly asked how that can be enforced. Mr. Duncan said that he thought they should be responsible. Mr. Weatherly said that the state of Alaska will enforce this by actually getting competition into the picture. Ms. Hilscher said that with RCA already having spent the amount of money they have, a really "sky high" rate base exists and there's nothing to show for it. If they try to do more, they will have to spend more money and if they spend more money then according to regulations they can build that right into their rate base. If the state goes out with an earth station it will not affect the rate base. Mr. Duncan thought there should be some way of keeping them from building additional costs into the rate base. Mr. Weatherly said that RCA is like AT&T. FCC cannot control them because they are so massive that once something is cleared up in one area, there is something wrong in another. Mr. Weatherly felt that the only way the state is going to get what they wanted from RCA is for the state to do what it is doing now -- looking elsewhere than to RCA. Ms. Hilscher said that part of the problem is that RCA is a monopoly in the state right now and there is no way to control them. Mr. Duncan asked what Mr. Weatherly's proposal will cost. Mr. Weatherly said that the initial figure will run about \$5 million for about 100 ground stations. Ms. Hilscher said that there is legislation now that would create a telecommunications authority which could borrow the money so that it wouldn't impact the general fund at this time.

In response to questioning, Ms. Hilscher said that they are looking at this construction season to begin since the need is their and since inflation increases the costs so tremendously each construction season. Mr. Weatherly said that the way the legislation on the Authority is written, there are definite limitations and controls by the legislature. Introduction is planned for Tuesday.

Ms. Itta asked what the status of the interim committee is, and Ms. Buchholdt said that they should be done by next week.

Mr. Rhode asked if they could assign any kind of probability to the the chances of getting the federal grant. Mr. Weatherly said that is is so confused in Washington right now it's hard to know. Ms. Hilscher said that that the grant would be under the National Institute of Education and she thought they would be meeting at the end of next month. Mr. Rhode asked if they are covered in this budget in the eventuality of that, and she said yes. Mr. Gruening asked what the federal money would be used for. Mr. Weatherly said that the ATS 6 is going to India on the 17th of May. What they want is to continue on this effort doing what they have done for the past year and also create new programs and new program ideas to work with the satellite when it comes back. When it comes back they will go into a new experimental phase. The emergency medical has been an outstanding success. Everything has not been as successful but next year they will be able to identify the problems that they have.

Meeting adjourned at 5:25 p.m.

ADJOURNED

staff

DEPARTMENT OF REVENUE
PROPERTY TAX DIVISION
OVERVIEW AND REVIEW

The Property Tax Division is responsible for administration of the valuation and taxation of property used in the exploration for, production of, or pipeline transportation of gas or unrefined crude oil. This responsibility is accomplished through the inspection, appraisal and audit of taxable property; compilation of an assessment roll and preparation of assessment notices and tax bills. The division is headquartered in Anchorage and fulfills its responsibilities through the utilization of consulting services and a full time staff.

The division currently has two unfilled positions, both of which are for experienced oil and gas property appraisers. We are currently attempting to fill these positions through outside recruitment, having had no success in filling the positions locally. Both positions require extensive experience, background and knowledge of oil and gas properties.

Consulting services are utilized for highly technical and specialized petroleum engineering functions such as oil and gas reserves analysis, determination of the economic limits of oil and gas fields as applicable to specific production and pipeline transportation properties. During FY 75 economic limits were established for three pipeline transportation facilities, fourteen offshore platforms, two onshore gas fields and two onshore oil fields, including Prudhoe Bay's Sadlerochit formation. (A copy of the analysis of remaining economic life for A, Baker, C and Dillon platforms, Middle Ground Shoal Field, Alaska Cook Inlet Basin is attached for your information.) It is anticipated that during the current calendar year the division will be involved in three major valuation appeals for which consulting services will be required for reserve analysis, economic life determination, pipeline design criteria and physical life analysis and determination.

The attached sheet presents a dollar comparison of the division's FY 75 and FY 76 operation. The FY 76 budget request is a maintenance budget and takes into consideration the anticipated growth in taxable oil and gas properties throughout the State of Alaska.

	INITIALS	DATE
PREPARED BY		
APPROVED BY		

DEPARTMENT OF REVENUE Oil & Gas Property Tax Division

LINE NO.		(1)	(2)	(3)	LINE NO.
		FY 75		FY 76	
1		AUTHORIZED		REQUESTED	1
2	Property Tax Division	5,400,000		5,593,000	2
5	Total Assessed Value	\$ 722,548,650		\$ 1,246,439,010	5
7	Total Tax \$ Generated	14,450,973		24,928,780	7
9	Municipal Gov't Portion	7,888,231		8,712,573	9
11	State Gov't Portion	6,562,742		16,216,207	11
13	Amount expended to produce 1 dollar of Gross Revenue	3.6¢		2.2¢	13
15	Amount expended to produce 1 dollar of State Revenue	7.8¢		3.4¢	15

Malone

**Testimony on the
Office of Telecommunications Budget
Fiscal Year 1976**

**Presented by Marvin Weatherly
Director**

**Before the House Finance Committee
Hugh Malone, Chairman
March 14, 1975**

In previous years, as I'm sure you all are aware, the Office of Telecommunications under the Governor's Office was fairly inactive, consisting only of one salaried position, with no staff or office support. Little policy-setting or planning was accomplished. The chief function of the Office was oversight of the federally-funded health and education satellite demonstration project, the Applied Technology Satellite-6 or ATS-6.

However, with the change in administration came a drastic change in communications policy, with Governor Hammond placing top priority on upgrading communications services to the entire state. The Governor appointed me to head the Office of Telecommunications. I presently wear both hats as director of the Alaska Educational Broadcasting Commission and this Office. For budgetary purposes, it was felt that I would retain both positions, continuing my present salary from the AEBC under the Department of Education. Hilary Hilscher was appointed deputy director, and fills the formerly salaried position of Plans and Policy manager III slated for OT's staff. She has a part-time secretary at present. Most of our technical and specialized communications work, such as communications economics and systems analyses, are done with contract consultants.

The change in communications policy by this Administration is long overdue. Many problems have resulted from lack of leadership in the communications policy-setting and planning role--problems with which I know you all are familiar. The common carrier has been allowed to ^{proceed} ~~proceed~~ at its own pace toward its own objectives, which in some cases has produced results far more favorable to its stockholders than to the people of Alaska who need communications services.

Alaska is partially covered by a communications system--the long-distance portions of which are still reliant on the antiquated White Alice tropospheric scatter system. While we lag far behind the rest of the country in communications services, that may be the very fact that saves us: We can start nearly from scratch to develop and obtain the most modern equipment and the system optimized for Alaska's unique needs.

The Office has worked closely with the common carrier and has begun contact with the local utilities to assure coordinated policy and planning. Also, the military, State and federal agencies, businesses, organizations and private individuals have been giving input and assistance to the Office, helping us to determine the State's present and future needs in communications. We look forward to working closely with the Legislative Interim Committee on Communications.

In assuming this activist role in communications, the Office has formulated and progressed significantly toward its four main goals: 1) comprehensive planning and delineation of State policy with regard to the expansion and improvement of communications within Alaska; 2) achieving a working relationship with the common carrier and utilities to obtain compliance with State policy and meeting of State requirements for communications services; 3) overall coordination of the now-diverse and separate efforts in the communications areas in various parts of the State government; and 4) operation of a production facility for television and radio broadcast, available to the Legislative and Executive Branches, and for use by presently anticipated planning experimental projects to be federally funded.

Major activities for the coming year include continual monitoring of common carrier activities, and on-going planning coordination with various communications

users. The specific objectives are listed on page one of the OT budget, and are I believe the most comprehensive statement of not only our planned activities, but those in which we're presently engaged: 1) Monitoring and reassesemnt of stated communi-cations requirements of Alaska; 2) continuous evaluation of the State-designated com-prehensive systems plan for delivery of communications services; 3) coordination with RCA on proposed expansion and development; 4) monitoring of RCA performance with regard to economics and technical policy; 5) providing direction to the Alaska Public Utilities Commission in its regulatory criteria; 6) commenting to both the Federal Communications Commission and the Alaska Public Utilities Commission on Alaska communications matters; 7) coordination of all various State agencies' efforts in communi-cations on both operational and policy levels; 8) assisting individuals, organizations and State agencies in assessing their needs and planning systems for delivery of services or information based oin telecommunications; 9) promotion and supporting continued experimental projects that utilize new programming and hardware techniques;; 10) over-seeing operation of a production studio; 11) compiling and publishing a newsletter to Legislature, agencies and interested organizations; 12) working with military in matters of provision of communications services; 13) advising and assisting the Congressional Delegation on communications; 14) acting as a clearinghouse for communications infor-mation to both the State, and to federal agencies involved in Alaska.

On the operations side of the Office, we have designed the contract personnel budget to dovetail into a possible federal project--funding for which will be determined sometime this month or early April. If the federal money comes through to continue with planning and demonstration programming the other half of the part-time studio manager, engineer and crew would be paid, thus giving us full-time staff for the pro-duction studio.

The equipment expense for the 8 copy 3/4 inch video tape dubbing recorder will allow easy duplication of any programs Legislators or others might wish to have distributed to the entire state or particular stations. Having this duplicating done commercially would cost approximately five times what our estimates of in-house charges are.

This Office believes that the costs outlined in this budget accurately reflect the requirements of the Office of Telecommunications for the coming year, and unless there is a major reorganization undertaken we can effectively continue our work in overseeing and seeking to insure the realization of total communications to serve the needs of public services, business, government and private citizens.

AFTER RECESS

1:42 p.m.

All members were present with the exception of Messrs. Cowper and Naughton. Also attending were:

PRESENT

Marshall L. Lind, Commissioner of Education
Frank Nelson, Administrator, Evaluation and Assessment
Marilou Madden, Special Assistant to the Commissioner
Richard B. Engen, Director of State Library and Museums
Bill Thomson, Director, Division of Management and Finance
Judy Crondahl, Budget and Management
Dick Emerman, Budget and Management
Dr. Dale Staley, interested citizen

Dr. Lind introduced his staff members, and handed out an organizational chart, saying that it looks heavy at the top, but there are a number of activities attached to the Department solely for logistical purposes.

EDUCATION

DEPT. OF
EDUCATION

There are basically four major divisions: (1) The Division of Libraries and Museums, which was attached to the Office of the Governor was brought under the Department of Education last year. (2) The Division of Education Program Support; (3) The Division of Management, Law and Finance. Law was taken out because it was confusing with the Attorney General's role. This area has the largest amount of money. (4) Division of Vocational Rehabilitation.

The Department of Education is the only department with a board as its head, provided in the law by Section 26; that seven members shall serve as head of the Agency. Directions are taken from them. Four members must come from one of each judicial district and three members at large. This makes the relationship and operation a little different from other agencies.

General
Info.

Several years have been spent trying to get together an instructional program. Until 1973, Regional School Boarding program was a separate division with 256 State employees and a budget exceeding \$10 million. It has been eliminated and the dorms closed and turned over to local communities under contract. Vocational Rehabilitation cannot be isolated from General education, and is no longer a separate division.

The responsibilities of the Department are clarified in the Law. The Statutes charge them with the overall supervision of education throughout Alaska, grades K-12, with the regulatory exceptions of parochial and private schools. BIA activities are not under their regulations. Any school run by the Federal government serving Indian children does not come under the Department. Teachers do not have to meet certification standards, the school year is not necessarily the same, their fire code is not under their jurisdiction. The Chairman noted that most other schools in other states are on reservations, and probably do not meet state fire standards either. Dr. Lind thought all teachers

EDUCATION

Dr. Lind reported that the activities they are involved in are numerous; some need to be reassessed and emphasis changed and some need to be discarded. One area concerning them is planning: They deal with the largest single chunk of General Fund, and planning efforts have not been as comprehensive as they think it should be. One area of change is the sending outside of 675 children to high school; all high school children are now being provided for within the State. There are no plans for additional large domestic facilities; education close to home does not require a facility similar to what they are used to. The whole emphasis is changing. The question is how can they best deliver a system close to home that will assure there is a degree of opportunity similar to a larger urban setting.

Planning

Out-of-State-Students

In response to Mr. Duncan, he said there had been no real increase of staff more than perhaps one person in the last year or two. They would try to increase planning by using other people in other sections and planning in significant areas; by shifting the resources they have.

Program Evaluation: Last year the Legislature formed the beginning of an evaluation scheme which would address two programs they place in high priority. There is a student assessment program underway to evaluate reading and computational skills. The student and the teacher will get use from this.

Program Evaluat.

School districts are frequently asking for assistance with local needs assessments. It is a method by which a number of people can get together and determine where a district is and where it should be. The last comprehensive study was done two to three years ago; this must be done at the State level. Mr. Duncan asked if any good had come of State-wide needs assessment: Dr. Lind said they had been able to gear effort toward some areas indicated. Reading was followed by the Right-to-Read issue. ATS 6 has to do with communication skills. Career and Vocational guidance has looked at kinds of capabilities.

Local Need Assessment

Right to Read

Career & Voc.Ed

To Mr. Gruening, he explained that the satellite had three education components geared to reading: (1) communications skills; (2) teacher inservice portion; and (3) health education. The Right-to-Read was just a small part of the reading program, and is picking up. This problem cannot be solved by schools themselves; children and communities must also be involved. Through the teacher inservice they can find weakness and skills.

Dr. Lind described the Talent Bank concept as being an idea by which they have a lot of talented teachers who can help with educational problems; they attempt to identify people from one school district who can assist another school district. The benefits are to both districts. He felt this was probably the best thing they had come up with in the last couple years. Ways of improving teacher preparation programs, certification and performance, are being looked at as well as reciprocity agreements under which they will accept some other state's endorsements and certify teachers for this State.

Talent Bank

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should be on the same licensing or certification procedure; most are eligible but have not applied. Then in the event of transition to the Borough, there would not be a gap. As to the steps being taken toward transition from BIA to the Department of Education, there is no legislation at the present time. The Attorney is looking at the legal ramifications of repealing that section of the law which applies.

To Ms. Itta, he said the Agreement between BIA and the State of Alaska Department of Education was last updated in 1968. The majority of this was directed toward joint effort in the construction and operation of regional schools and boarding homes. They could come under State operation when they wanted to. 1970 was the last time major effort was made; the plan is about to be completed and presented to the Governor by Morris Thompson. Some parts of the five year program to phase BIA schools into the Education Department are no longer appropriate. The people in the affected communities have been visited by BIA, SOS, Department of Education and Community and Regional Affairs people to tell them of the option. While he had not seen any of the formal voting, he felt that those communities in which the State would be running secondary schools would very likely opt to come under their jurisdiction. If any BIA school wants to come into the State operation, they have the right, and the State will be prepared to pay for it even if there is below match of monies to boroughs. This way they cannot be told there is not the money. Ms. Itta said she was glad to see there was cooperation to see that quality education got to the rural areas. Dr. Lind said their involvement had been one of support to rural communities and to put pressure on the Federal government to up-grade their facilities to the State standard. They can send letters and the Legislature can pass legislation in various forms, but not really anything can be done to make the Federal government comply. The BIA has had about \$20-25 million for construction throughout the U. S. Approximately \$9 million has been held for Alaska to be used for larger dormitories at Sitka, Fairbanks, Anchorage and several smaller communities. Dr. Lind felt there would have to be an arrangement worked out between the boroughs and the State to get the buildings up to standard. The second part of the plan is to work with the BIA to develop appropriate information for a State bond issue to up-grade the worst schools that BIA has.

As a review Dr. Lind said the State Departments of Education around the nation had been conceived as regulatory agencies. This is important but should not overshadow other things to be done with rural school districts. Rural school districts should have the least amount of interference at the State level as possible. It is a good question to ask, that if there is 100% support would there not be 100% control by the State, but when the foundation program was changed in 1969 and went from 60% to almost 90% State support, there was a decrease in control by the State. This was in one area; the State no longer tied to the number of teachers or staff to the allocation of dollars. They give money based on average daily membership.

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The certificate is first given for five years; two things must be done for renewal: Satisfactory performance and six administrative hours of credit. This does not speak to the unique problems in rural or urban Alaska. The Department should be in the position to require that certain things happen during the life of the certificate; they are not satisfied with what they have. They would probably be able to do what they would like to see done in about two years. Staff development must be looked at. There are funds for Vocational Education and some for Special Education and everybody does his own thing; They feel this is a waste of money and is not doing the job effectively as if it were coordinated or unified. The capabilities should be developed within the State instead of relying on outside sources.

Certifi-
cation

Voc. Ed.
Spec. Ed.

Local School District Organization is another duty. There have only been three new districts emerge in the last four years: Galena, Selawick, North Slope Borough and Eagle River is next. First an area must incorporate as a first class borough; it is not just an education function but all things that go with a first class status. These last new areas have had computer accounting systems for fiscal management control set up for them. Accounting is just one part; local school board training is another. Ms. Itta commented that it was difficult for people in rural areas, and she was glad they were doing more to help the newly organized districts. She would like to see new boroughs be aware of responsibilities before they incorporate.

Local
School
District
Organizt

Referring to the Eagle River-Chugiak Borough; Dr. Lind said Morris Thompson was involved with the whole hearing process, and helped to put together the whole budget. A man at their expense assisted them with development of a proposal to request funding for development of the new school district. They could not grant them money but had tried to work with the board and Acting Administrator.

In response to questions from Mr. Duncan on the computer accounting system and how it worked; Bill Thomson said the main problem was fiscal administration. He described the implementation and ingredients involved in setting up the system in Selawick and Galena. \$4500 is the annual cost for a 200-student school district. About sixteen school districts are interested in the pilot project. What they are offering for \$45,000, the Mat-Su received a quote of \$150,000. Anchorage is already on the PROBUS System. Mr. Guy requested written information on the PROBUS and ARIES programs.

Acctng.

Dr. Lind felt this would be a financial savings to the districts; they might not be able to cut back on personnel, but at least would have better information.

The Plan of Service is an attempt to get districts to: Plan, assess needs, determine objectives, show what activities they will use to meet those needs, and report, related to this, the expenditures of dollars to components of the plan. They are very concerned that communities do identify needs and have a realistic program to meet them.

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There is a task force who should be making recommendation to the Board in about one year as to the implementation of what they feel is a sound accreditation system. This task force is made up of students, teachers, administrators, school board members and a parent or two. Travel and per diem are provided to the members. There is another unit doing much of the same thing, but looking at high school accreditation requirements. They rely heavily on task forces. Dr. Lind told Mr. Gruening that this will be a pilot project; when it has been tried and weaknesses corrected, they hope it will become a requirement. The school districts will be assisted in areas of weakness to help them correct and meet whatever deficiencies they have. If, after help and financial assistance they refused to meet the requirement, the State would probably cut off foundation support. The final say would be what the State Board determines is appropriate.

Regarding the whole matter of financial support to school districts, Dr. Lind said each year, legislatively, they go through the budget and try to determine the magic point. They are constantly looking at State support; federal monies, and have not had the luxury of being able to think beyond every day operation and education. They would like to expand and investigate other methods of delivery of education.

Mr. Haugen asked what percentage of the instructional unit costs was related to teachers salaries; Dr. Lind replied about 80%; the average salary is about \$16,400, with one unit for every 19 students. Mr. Haugen asked to see a model; Mr. Thomson added that there was also a breakout by function.

In response to questions from Mr. Gruening, Dr. Lind explained that Mini 874 might have rationale as part of the total formula, but any changes in that area should wait until the whole system is evaluated. There are some changes that need to be made without further study. It will be another two years before recommendations can be made to the Legislature; during that time the total system will not be tinkered with. They want to make sure that the State, through the foundation mechanism can meet the unique costs due to area differential. The Village Safe Water program also has to be met.

Mini
874

Dr. Lind reported that 874 is not too sound at the moment; They want to phase out over a three year period; Alaska says they need the money and that this cannot be done without proper hearings. They asked for a hearing, and representatives were here in December. The decision has not been made and they hope there will be a compromise. Dr. Lind guessed it would be a five year wind down; this could be taken to a higher level, if they still want the three year phase out.

Federal
874

Mr. Gruening acknowledged there were probably inequities in the foundation program. It might be considered that in the phase out of Mini 874, that Juneau, Fairbanks and Anchorage would also like a hearing. Mini 874 probably wasn't a good idea in the first place, but by taking it away, that might creat an inequity; he felt discussion was needed before phasing out any portion.

Mini
874

Dr. Lind admitted that the removal of Mini 874 had caused a great deal of concern in the three communities, but he felt the Governor's decision to do so, was the best under the circumstances

Mini
847

The meeting was recessed at 3:15 p.m.

RECESS

AFTER RECESS

3:32 p.m.

Dr. Lind continued his presentation, saying they were very enthused about education in the State which always gets down to a philosophical discussion of the kinds of things which are appropriate. The common assumption is that everyone is concerned about quality education but this means different things to different people. Nothing says that more money in a program will mean better quality, but there is some relationship between facilities and materials used. Quality education exists where there is the greatest degree of individual instruction; recognizing that every youngster is an individual and his needs should be met. With the possibility of satellite communication there is a way to get a lot of things going. There is a great deal of interest that wasn't here ten years ago, and he sees a lot of things geared toward program identification and enhancement.

The Chairman opened the meeting to questions from the Committee. Mr. Haugen asked several questions about the debt service and asked for a breakdown on the figures shown. Mr. Emerman said he could obtain a break out of when the issues went out on General Education debt service.

Mr. Malone, referring to Research, Planning and Information, asked what types of information they retrieved and how they used it, and if this was done through the State Data Processing System; Ms. Madden informed him that the system was based on the nationwide ERIC system which collects and documents about 1015 pieces of additional research per month. These are deposited in the State Library and categorized in educational terms. They have a simple retrieval system available to all school districts and anyone having access to State Libraries. None of the information is in the computer; that is just a way of identifying the document to search them out of the records. The only information on individual students is the grades and that only goes out at the request of a student to have his transcript forwarded.

Planning
Research &
Informat'

In answer to Mr. Malone's question about the pilot program of affective education dealing with student attitudes and motivation which was conducted in Juneau and directed at interpersonal communication; Ms. Madden said the results were not what they had anticipated. They found barriers mainly in terms of getting the support and backing of the Citizens and school administration for this kind of program. In many cases the teachers were "turned off". Mostly, she said, they learned how NOT to conduct an affective education program.

Affective
Education

Mr. Nelson said the program was to promote improved communication between teachers and students; develop a student's self-concept

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in relation to his peers and his environment; and to help with career decisions. Citing a specific case, he explained that to help a student to better understand mathematics, they would show the student the usefulness of math in his life; how it serves him.

Affective
Education

Metric Education is being introduced, but has not been imposed in all school districts. An awareness must be development that they will be faced with a new measurement system. There is an adult component in need of knowing about the metric system. If nothing is done on a national level, they may have to insist that something be done at the State level, for preparation.

Metric
Educ.

Answering Mr. Haugen's question on the Student Loan Program, Mr. Thomson said there was a very small portion in default because of a change in the law in 1972. In addition a number of students have deferred because of military service. He did not have the exact figures.

Student
Loan
Program

Mr. Gruening noticed that the FY 76 budget for foundation programs is \$141 million; and the difference between that and last year's money is about \$26 million. The Governor said \$17 million was because of increases in the foundation program, but what were the other increases. Mr. Thomson said they were generally maintenance level increases; the debt retirement increased from \$7\$9.1 million. There are inflationary costs for personal services; increased oosts of people transportation primarily because of service to children in the Anchorage Deaf Center which formerly went out of State. The tobacco tax, which is a dedicated tax increased and is estimated at \$1.8 million. There is a supplemental program for \$100,000 which relates to special education; a change in the law last year now requires initial diagnosis of exceptional children. This has two parts, the initial diagnosis and the establishing of area learning source centers which are maintained at a certain number of school districts.

Gen.
Info.

Ms. Itta asked about the Food Service Section, and was told that service was provided from the National School Lunch Program, and the National Nutritional Program; also day care centers and pre schools. It was proposed to reduce the federal level of support in the area of daycare centers. They did still supply support to schools but at a reduced level. Mr. Thomson believes that it was estamated at about \$6.5 million to maintain all hot lunch programs in Alaska and substantially below that amount had been received. The breakfast program would be cut out; the daycare centers, he was not sure about the free lunch to needy children. Ms. Itta requested a breakdown of those costs and reductions. Mr. Thomson said the \$2 million received from the feds, the State matches by 20%; in effect it is an overmatch. Mr. Haugen noted that the food is from surplus commodities with part purchased by the school district with support form the federal government. Dr. Line said where possible students are required to pay. Costs of food and labor are getting high and they are turning to prepackaged, T.V. type meals. Mr. Thomson pointed out the amount above program receipts and the amount above State and Federal contributions. He would get the information to Ms. Itta on Monday.

Food
Service

3/15/75

Mr. Malone asked to have the Right-to-Read Program explained and what results had been anticipated, and the reason for the program in the first place; Ms. Madden answered that reading and communication skills are top priority. The problem is corrected partly by getting into the national Right-to-Read program which provides limited funds. Emphasis is placed on working with local groups and schools to assist the reading program. It integrates the General Fund money and brings all resources together in an effort to correct the reading instruction in the schools. It ties in with the Needs Assessment program described earlier.

Right-to-Read

Concerning the illiteracy rate in the State, Ms. Madden said she only had census data and comparative grade level attainment. In the 1970 census, approximately 20-25% of the people had not achieved more than eighth grade reading level. Sixth grade is the national average. Many children leave school without achieving literacy; the nation-wide rate is between 18-20%. The achievement so far has been in organizing the schools themselves to coordinate the local programs to attack the problem. They have a 1980 goal for the adult population to have at least 95% to be literate, and 85% of the school children. Dr. Lind said the State has the responsibility to have the children be at least functionally literate.

Ms. Madden said the Foxfire Project is a generic name given to an alternate education program. The curriculum is built around a product as in the Apalachian program. It's a way of organizing student attainment of skills by actually performing. Also takes in marketing skills. As a specific example, she gave the Craig school, where 20-25 students produced and marketed a booklet which dealt with the history and culture of Prince of Wales Island. Dr. Lind added that it was all federally funded. Ms. Madden continued, saying the concept could be supported by the General Fund at the district level; they want to provide inservice training where districts want to apply this problem. There was a problem in Craig; it was too different from the normal way of operation and she didn't believe the booklet was even published. Bethel Regional High School had a good example; they worked with all the eskimo history in that area which involved residents of the area also. It was funded through the Johnson-O'Malley Fund; the teacher sponsors of that were probably familiar with the Foxfire concept.

Foxfire Project

Dr. Lind felt the program should be made better known to people. There are no State dollars in it now, but next year \$55,000 is being asked for start up money. This was one of the strongest areas of support the Board had indicated to turn kids on to learning in a more palatable way. The Chairman requested a copy of the Bethel project.

Regarding the 1974-1975 Early Childhood Education work program; Dr. Lind said some areas have no kindergarten but parents would like to have their children have before-school experience so they are trying to carry on correspondence programs at a pre-school level. They are also looking at the optimal school

Early Childhood Education

starting age; the appropriateness, or inappropriateness of early childhood education programs; the State supported program for exceptional youngsters.

Early
Childhood
Education

Mr. Rhode asked Dr. Lind about the use of the buildings year round; and the ten-year program of education used in Europe. Dr. Lind said the year round school issue was very popular two years ago with people affected by the pipeline impact. Fairbanks was thinking of double shifting; Anchorage does not seem to be moving forward with any degree of speed; problems with scheduling have turned the communities off. Valdez probably would have considered it but is not big enough to make the program work so they go the route of crowded classrooms.

The ten-year education had not really been discussed except for about 1 1/2 years ago in the discussion of graduation requirements. One alternative discussed was three years of high school; the reaction was that it would be terrible to turn 16-year old youngsters out on the streets. He did not necessarily agree with that. He did agree there was a great deal of treading water the last years of high school; dual enrollment has been encouraged in some cases--doing university work at the same time. Dr. Lind thinks they have the responsibility to make four years meaningful and productive, and doesn't think the ten-year program would be palatable in Alaska for some time.

Mr. Haugen suggested that some of the federal funds going into Department of Labor programs might be better put into the Department of Education to support some of the Vocational Rehabilitation instead. Dr. Lind felt sure more coordination could be done between federal funding programs, but there are so many federal rules and regulations for use of their dollars, that it probably would be very difficult for school districts to work with them. There is a lot of work to get districts concerned about using money in better ways.

Voc.
Educ.

Ms. Buchholdt inquired what kind of programs were handled by the Division of Corrections under the "Adult Part B" program; Mr. Thomson reported there was an adult education program administered by the Department of Education; this included courses at the Lemon Creek institution; nine unions receive money from this category for specific union programs in Fairbanks and Anchorage. Ms. Buchholdt requested to know what the unions did with the money.

Adult
Educ.
Part

Mr. Malone asked what the total amount of Voc Ed money throughout the State would amount to; Dr. Lind said there were big pieces of money in the Department of Labor, that he would get the information. The Chairman commented there was a lot of money flowing and some of the questions were a result of the Legislature not knowing what the programs were.

Correspondence Study: Dr. Lind said this was an excellent way of educating youngsters. Up to a year ago there was no identified amount for correspondence study; there is an appropriation annually to provide basic support and the amount was increased last year, but it was not increased as much as that for traditional education. The State is hiring advisory teachers in Juneau; the State is directly involved in the direction of a quasi-school

district. Mainly that means going to cities and boroughs to tell them how they will use the funds. The law says that every youngster residing in the district is the responsibility of the district. 65% of the correspondence group is in unorganized boroughs. If regions are created in unorganized boroughs, the region will be responsible. The State should be responsible for the leadership role for advocating this program for kids who do not have the facilities available or who cannot attend for other reasons. The Board has directed them to move ahead with the concept of turning this program over to the districts and to report how the transition process will be handled. This is compatible with the decentralizing of SOS. He wonders who will hire the personnel the State is now hiring; and what if they don't have a central corps of teachers. Dr. Lind said he would like to see every youngster funded equitably; and the thrust realigned to take care of in-service and materials used through the State Library System. Some internal problems need ironing out because of the switch in emphasis; there will be a report for the State Board in April. Correspon
Study

He explained to Mr. Gruening that the initial plan will have to parallel the existing boundary SOS has at the present time. The most effective regional structure is being searched for to get it moving. All regions would have no less than 500 students; some as many as 1,500. Dr. Lind said the coordinating body would be a regionally elected school board, who would hire the administrator and the staff not under the State personnel system. It would be like a borough except for the construction and ability to levy taxes. Construction would be a State responsibility because it would be like serving a district within a borough.

Mr. Engen, Director of State Libraries and Museums said one of their functions is to serve as an information center for State Government. They have the responsibility to develop information for the entire State; a better collection in the State Library will mean better service for all areas. This includes, besides books, films, records, transparencie ; audio banks are being developed in some other local area. He told Mr. Duncan that the museums being in with the State libraries is working well, though there is difficulty meshing the museums into the ongoing program. The Chief Curator is the Assistant in the State wide responsibility. He told the Committee about the development of multimedia kits used in some 80 localities. They should have the first traveling exhibition to go to smaller communities. He felt it was working reasonably well. LIBRARIE
AND
MUSEUMS

He informed the members of a newsletter sent to all agencies and Legislators to let them know of new material that might be of interest to State agencies. It costs \$100-\$125 to put out three or four times a year, for the printing. The Chairman had not seen this publication; Mr. Engen said there may have only been one since the Session began; he would supply copies. Mr. Guthrie suggested the Legislature would interested in receiving this all year round.

He reported quite a few new employees; the budget went from 29 to 38 positions as requested by the Governor; the Agency had requested 44. Their space rental was included in the Department of Education budget and was \$479,000 for the coming year.

The meeting was adjourned at 5:30 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
Monday, March 17, 1975 .
10:45 a.m.

All members were present with the exception of Messrs. Guy.
Mr. Naughton arrived later.

PRESENT

Others attending from Alaska State Operated School System:

Stan Friese, Superintendent
George White, Associate Superintendent
Donald J. Wesley, Budget Officer

Dick Emerman, Budget and Management
Rich Guthrie, Fiscal Analyst, Legislative Finance

The meeting was called to order to review the SOS budget with
the agency representatives. Mr. Friese gave a general over-
view of the SOS budget.

EDUCATION

In FY 75 there was authorized \$43.8 million and the request
for FY 76 was \$52.9 million, an increase of 21%, largely in
rural areas. The Central Office increased 35% or \$902,000.
There was a decrease in the Military Schools; HB 188 put
them with the Boroughs; however, there will be an increase
in the non-resident tuition they pay the Anchorage and Fair-
banks boroughs. Salary increases were necessary because of
negotiation and are a substantial part of the increase. He
also reported substantial increases for fuel, approximately
20%.

STATE
OPERATED
SCHOOLS

When he commented that the price of food had increased, Ms.
Itta asked about the possible cut of the food service pro-
gram in Congress; Mr. Friese reported that the Director
of Food Services, Skip Skinner was keeping track of this,
but he had no specific information at the present time.

Food Serv.

The Central Office has increases of 35%, mostly in the area
of Percy Operation: film services and media to all schools.
Two new positions have been requested for this important part
of the program. There have never been adequate funding for
films etc.; they have not been able to purchase a new film in
the last five years and the whole film library should have
turned over by now. Teachers have no other source of instruc-
tional material.

Central
Office

Administrative Services increased \$477,000 which includes five
people they have budgeted. The Superintendent's Office has in-
creases of \$100,000, which is not an actual increase as two
positions were transferred from another budget. A liason per-
son to work with native organizations and corporations and a
public relations man.

Mr. Friese reported an increase in Basic Instruction; the bud-
get reflects 301 teachers in Military bases and 572 in rural
areas. Rural areas will increase and Military bases decrease.

Mr. Friese stated that they were moving toward putting more responsibility in the districts; decentralizing and granting to the rural areas and regions. Each rural superintendent will use \$20,000 for instruction in administration; this will vary from region to region.

State
Operated
Schools

He felt the overall budget truly reflected a maintenance budget for FY 76.

Mr. Haugen asked for information on teacher's salaries; Mr. Wesley reported approximately \$16,200 for rural schools, and about \$17,000 gross salary in total costs which includes all area differentials. In the smaller schools that are not large enough to have a principal there is another differential of \$1,000. The teachers receive travel for one trip a year from their duty station.

Salaries

Referring to enrollment figures; Mr. Wesley reported Kiana had 7 students for opening enrollment. The Chairman noted they projected 8,200 for rural school enrollment; Mr. Wesley said the FY 75 second quarter enrollment was 7,566 excluding special education. With special education about 7,600. They based the 8,200 estimate on expanded programs, which they feel will bring 635 additional students.

Rural
School
Enrollmt

Mr. Wesley told Mr. Malone the amount of Title II ESEA funds for FY 76 was very nominal; between \$10-20,000.

Title I
ESEA

Answering Mr. Haugen's question of how many new schools provided for in the 1972 bond issue were in operation; it was found that Antiak, Nulato, Kiana, Norvik, Selawick. There are others still under construction. Mr. Haugen wanted to get an idea of the total overhead and operating costs of a rural school such as the ones he named. Mr. Wesley said the minimum cost at a one-teacher school would run about \$40-50,000.

Mr. Guthrie said SOS doesn't prepare their budget as most State budgets are done; the district schools get a budget based on a certain amount. Mr. Wesley added that based on a free conference amount they give the regional allocation.

Payment of non-resident tuition is for military students in the Fairbanks and Anchorage area. The amount is paid from local taxes collected. Mr. Wesley explained to Mr. Gruening that the \$13 million requested for on base schools will be for basis instruction support in the form of teachers, principal, aids, in support of the teaching program. There is approximately \$6 million net decrease in the military component. The flow would be an increase in the financial support program, and a decrease in the direct services program.

Non-Resi-
dent
Tuition

He went on to say that SOS received preferential treatment under P.L. 874 income and they did not want to jeopardize it. The boroughs receive a lesser amount because of extenuating circumstances existing back in the 1950's. Effective with FY 78 a reduction in the preferential treatment is proposed. The \$6 million would go to the Department of Education in the form of increased foundation program; the same amount of money is

P.L. 874

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being delivered under a different method.

Mr. Parr noted that decentralizing the SOS should mean a smaller Central Office Staff; yet an increase of position is shown. Twenty nine more people are being requested but at the same time decentralizing is supposed to be taking place. Mr. Friese reported a Title I Specialist in the field rather than in the office; they are applying the same approach to special education. The increases are not to increase the Central Office, but to make up for inadequacies in the past. They are trying to get programs out into the field. Mr. Parr asked if they would need increases in both the field and Central Office; Mr. White answered that the real problem lies in SOS being a State agency; they have been delegating various responsibilities, but there are functions they cannot delegate because they are located in Juneau. As the State negotiates the various contracts they generate a larger amount of paper work. In a two year period of time their funding went from \$500,000 to \$5 million. They are requesting more people because they have gone as far as they can with what they have.

(Mr. Haugen left the meeting).

Mr. Parr mentioned HB 188 which transfers all base schools and reduces the total enrollment by 30%, and asked if that will be reflected by a reduction of Central Office Staff. He was told it would not be a 30% reduction mainly because 70-80% deals with rural Alaska.

As to SOS taking over BIA schools, Mr. Friese told Ms. Itta there was a joint committee composed of members from the Department of Education, BIA, C&RA, working on this. It is not a formal committee but they have been meeting about six months, discussing alternatives to the present system of operation. One alternative is to transfer to SOS, but this is not being pushed. If they became SOS schools P.L. 874 would provide for reimbursement, but that is precarious now. The villages are not too dissatisfied by BIA schools at this time, plus the greater costs to the State. If some communities would vote to transfer they would come back with a supplemental request for operation of the school. Mr. Wesley said the 13 BIA elementary schools were removed from their budget, but if any of them wanted to come back they would make a request to the Department of Education for funds.

BIA
Schools

In response to Ms. Itta, Mr. Friese said he had written one report of the Committee meetings; BIA had put none out. He would provide a copy of his report to Ms. Itta. She added that there was a problem of transferring BIA schools because of the building costs to bring them up to State standards. Mr. Friese thought \$35 million would bring the BIA buildings up to State Standards.

(Mr. Naughton entered the meeting).

Mr. Wesley answered Ms. Buchholdt's inquiry about restricted revenues, saying that \$27 million was the estimated reimbursement under P. L. 874 for general costs of operating the schools. It's general in nature, but non-categorical federal money.

Adult Education is a fairly new program placed in the budget this year. The point is, if there are to be significant gains in programs for school age children, there must also be concern about adult education. They have approximately \$35,000 for 17 cities, for basic education. Teachers come for an evening a week to work with adults. This is operated by the region through the regional superintendents office.

Adult
Education

Mr. Parr noted that it looked like the emphasis was always on the Central Office. He thought the regional person ought to be able to run his own program and the money should be given to him. Mr. Friese explained that the Central Office would have a person to direct the program through the regional superintendents. Any large program would have to be at least coordinated at the Central Office: preparation of the budget, evaluation of the programs. He felt there needed to be one person responsible to get good results. Mr. Parr thought this was against the whole trend of decentralizing. Mr. Wesley expanded on this; the Department of Education requests certain plans of service and reports to measure what was done against what was planned; the coordinator would do this. Mr. Parr felt strongly the superintendent should be able to do the budget preparation and reporting himself.

(Mr. Cowper left the meeting).

Mr. Duncan pointed out that the Bilingual Education budget shows an increase, though it indicates the discontinuing of native programs and no new programs added. Mr. Wesley said it was a maintenance level request, due to anticipated increasing of the Title VII money. As to the intent of the program, Mr. Friese said it was communication in both languages in six schools. At about the third grade level they would begin to read in english and about sixth grade they would read primarily in english. Some of the languages are dying out and a major program is the development of materials to prevent this. There an alphabet developed; there must be 35 different books out for different villages. A great deal of these funds would be for development of these kinds of materials. Mr. Duncan noticed there were no programs in Southeast and he expressed concern about the statistical requirement for establishing the program. Mr. Friese said there must be 15 students who cannot speak english before they begin a program. They do plan programs in Metlakatla and in Sitka. Mr. Wesley said the other programs in Southeast Alaska are funded by Johnson-O'Malley, not through SOS. Mr. Duncan pursued the topic saying with 14 students they were not required to establish a program; Mr. Wesley said they "may", and perhaps they should be looking at the problem of losing their languages; a bi-cultural program. Mr. Guthrie informed everyone, that in past years the previous Finance Committees did not agree with this concept; that this would be a change in previous policy.

Bilingual
Educ.

Mr. Wesley said there was a study done three years ago to determine areas for bi-lingual programs to be started. The priority was to the degree the children in an area did not speak english. The study was done for SOS, but there are bills introduced into Legislature which would expand the program to all areas. It originally was a joint BIA-SOS bi-lingual program, and he under-

stood there was legislation to put it into the Department of Bilingual Education and make it State-wide. Mr. Parr mentioned an eskimo Education language workshop in Anchorage five years or so ago that had put out primers. Mr. Friese reported they have had a contract with that workshop all the time; largely in the Yupik area. They are also working with the University of Alaska in the training of teachers.

(Mr. Cowper re-entered the meeting).

The requests for instructional aides was questioned (page 35, Operating Budget \$100,000). The Committee was told that some whole programs are based on the use of instructional aides. They work a lot as language teachers, and will, until teachers learn to participate in native language programs. In those instances, the aide is the teacher rather than the teacher's helper.

Ms. Buchholdt asked what kinds of programs there were to teach the teachers about the culture of the villages they go into. In the beginning all new teachers would go to small workshops to be introduced to teaching in rural Alaska. It was costing around \$200,000 to teach thirteen teachers and 90% did not show up. SOS would continue their own program a week or two before the school year, but that did not work well. There has not been an orientation for teachers except through the regional superintendents offices, and he has a short "crack" at it for a day or two. Mr. Friese said it's very important to them and they are unable to do it. Mr. Guthrie said there had been \$110,000 for reserve training and staff analysis from the Legislature last year.

Mr. Parr asked why they couldn't organize a workshop if the contracts with teachers were done in March. Mr. Friese explained that they did not know the majority of vacancies until August. A great many teachers do change their minds after they sign up in March; some find jobs outside during the summer. He told Mr. Parr that teachers learn by trying, if rural Alaska teaching is the job for them. The late vacancy rates are a major problem with SOS.

The meeting was recessed at 12:00 noon.

RECESS

AFTER RECESS
3:00 p.m.

All members were present except Messrs. Gruening, Naughton and Mr. Cowper arrived later. All representatives of SOS attending the morning session were again present. Also attending this meeting was Rep. Oral Freeman, and Rich Guthrie, Fiscal Analyst.

PRESENT

The discussion of Alaska State Operated School System was continued. In response to various questions, it was found that in Nulato and Galena, the total cost of operating the new facilities with the Alaska Village Electrical Cooperative (AVEC) and Village Safe Water, was 25 units @ \$34,000 each or \$80,000, all General Funds.

STATE
OPERATED
SCHOOLS

There are some mobile homes the teachers rent, but most are regular houses in addition to the school or on the school grounds. There is some housing leased back to the teachers. The rentals are essentially subsidized since most housing is State owned. The utilities are paid for; the rent is based on square footage or conveniences available. The cost of the utilities varies considerably.

(Mr. Cowper entered the meeting).

Ms. Itta asked how the monthly rental rate was determined. Mr. White said there had not been any rational way of doing this except for the formula mentioned before. The new formula has not been costed out yet, but Mr. Friese said it will be a minimum increase of 20%.

Mr. Haugen noticed that the building maintenance people in the Bethel area made fantastic salaries. He was told their salaries were determined through Tri-Trades Agreement and there was no control over them. Ms. Buchholdt commented that the salaries were high and the rentals low; Mr. White said this was why the rents were being increased this year. He added that some of these people barely have housing at all. In the Aleutian Region there is a position for maintenance man but they cannot find housing for him.

At Mr. Guthrie's request, it was found that if they maintenance men do not receive pay checks on time, they receive an additional day's pay for every day they are late. Only the Department of Administration has control over sending the checks out on time. It happens quite often that checks are late, and they have paid to date about \$16,000 in late pay. Ms. Buchholdt asked if there was any way to amend this clause; the Chairman thought that Administration could get the checks out on time. Mr. White told of an instance where Central Office went without checks for two weeks because they were lost in the mail.

Mr. Guthrie suggested it would help to explain their accounting system, what controls are in Anchorage, and what controls are in Juneau; Mr. White said essentially they have not the control over their money that a normal school district would have, and little control over personnel. Payroll is sent down here to go through the machine; teachers and SOS employees don't know how much leave they have accrued. There is the constant battle with the Purchasing because the State system doesn't run on a school cycle. They must wait on the State cycle and frequently things are 3 to 4 months late. SOS is planned, but has a built-in failure. SOS pays the late pay to the Tri-Trades people and tries to get reimbursement from Administration, but SOS gets the blame. There is a House Bill sponsored by Osterback that would help and allow SOS to do their own purchasing and have fiscal control. Mr. Haugen added that this dilemma has gone on for three years; the budget is full of extraordinary expenses and SOS is not entitled to take all the blame. SOS was doomed to failure the day the bill passed.

In answer to Mr. Duncan, Mr. White said there have not been major difficulties, though there was some trouble getting funds transferred. There are a couple people which Correspondence Study had not had before; they remain in touch with the families. Some of the students were brought together. Getting supplies out to the kids is no problem now.

Correspond.
Study

(Mr. Gruening entered the meeting).

Mr. Haugen related to Mr. Duncan the information he had concerning a call he had from Sisters Is., saying it was taking a lot longer then with the Department of Education. Mr. Friese said he would check on this.

Mr. White outlined their proposed plan of construction; saying they did develop a procedures for construction similar to the University of Alaska's; they did submit it to the Legislature and the Governor, but it wasn't accepted. In lieu, they have an Agreement with the Division of Buildings for a standard-type construction. Their concerns are that the people in the communities be the ones to decide what will be constructed and that they get their money's worth, which they do not now; they get about one-half. A proposal is not needed but a means by which the money can be gotten to the communities and they can either go force account or form their own corporation and construct the building themselves. They have been exploring that with the Senate HESS and Commissioner of Public Works; they feel there are ways of it being done for one-half the costs. There will be problems with construction companies, with architects in the State, because any method besides the standard construction method will not get them the profits they are used to. He feels they could have less complicated systems to be maintained at lower costs, and the Chairman of the Senate HESS reacted very positively.

Capital
Projects
Construct

The Chairman asked Mr. White how far the \$33 million authorized for construction would stretch. Mr. White said that a \$400,000 revolving fund gave them 1/2 to 2 years lead time that was never had before in construction. All of the large projects of \$ 1 million or more are on the final stages. Two bids will be let this month and another group of them by the end of April and most of them by the first of middle of May. A lot of the smaller projects can be completed this summer. Commissioner Harris has a group of people going through the entire set of plans and pulling out all the problems that exist, in an attempt to eliminate the change orders, which are the biggest problem they have. They have found hundreds of errors made by architects and engineers. They are about three weeks behind schedule in the material established with Public Works. There is about \$1.8 million in federal money in addition to the total bond issue. That is being put with \$2 million appropriated to the Department of Education that doesn't show.

At Unalakleet, the safe water will come out unless the Department of Environmental Conservation provides some money. Mr. Haugen requested information on how many students were using the new

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facility. Mr. White told the Chairman that under the HB 472 bond authorization, there were no buildings under construction now; the first one would be let in two or three weeks. The bond issue was just past the first of November. The BIA just let a bid at Hooper Bay for \$200 per square foot which is way too high. He said there were probably not over 600 people in the village and probably only 300 students.

HB 472

Hooper
Bay

Mr. White related the plans for a facility at Nondalton where the school burned down and there is now a temporary facility. The school was taken out of the budget and would be put into the newest bond issue. They were working immediately with the people and had to fly in the school with a C-183. There have been nothing but problems since they started on it; the fuel line is inadequate because of design; the pumps are not large enough; the buildings are less than adequate and there has been lots of problems of leaky roofs; hallways are not properly heated. They had intended to do a survey but the plane with the crew crashed on take off.

Nondalton

Mr. Haugen asked how much money had been spend at Nondalton now; Mr. Friese said probably \$450,000, for 75 kids in the area. It will probably cost \$2 million to put a school in there. He told the Chairman they had talked with the local people but there was no specific plan of operation to get a school in there if the money was available. Mr. Friese said the Division of Buildings would be in on the construction, but it would be done differently from the regular method. In the past they did not know for a couple years the project costs because accounting was out of their hands. The meeting with the Commissioner would be to find some way of building for less cost. The Community built the store next to the school in Nondalton, instead of contractors or architects. Mr. Friese noted a good example in the Pribilofs where they built their own school; there was community pride, a good job done for a lot less cost. Mr. White said both Public Works and SOS is agreeing that this needs to be looked at.

In response to questions from Mr. Malone, Mr. Wesley said they receive \$1 million from Title IV, and \$15-20,000 from Title III; Title III does not receive any money automatically, but they must submit a project to compete with others for funds.

Ms. Itta asked about the School Board Training; Mr. Friese said only one person is directly involved with the development of a large kit of materials which will be kept at the superintendent's offices regionally. He reported no direct coordination with the Department of Education or the University of C&RA except they receive copies of the material. There is no definite planned program. At one time they did contract with the University of Alaska and they have involved some private people.

Mr. Gruening asked about the federal funding in the area of Vocational Education. Mr. Friese reported they receive special monies through the Department of Education for Special Vocational grants. Any supplies for Voc Ed or equipment come out of basic instruction program. It would require a survey to see what resources were being spent, and would take a great deal of time.

Vocation
Educ.

3/17/75

Mr. Gruening wondered how they could describe the program without knowing these costs; Mr. Wesley said the programs are different in all the schools. Mr. Gruening noted that the only source of federal funding comes from the Department of Education; it would be a budget element in that Department, a separate BRU. He said he was curious about the amount of effort in that area.

The meeting was recessed at 4:05 p.m.

RECESS

AFTER RECESS
4:17 p.m.

At this time the Committee continued with Stan Howitt, Chief of Consumer Protection. Also attending was Bob Schroeder, Administrator of the Department of Law.

PUBLIC PROTECTION

DEPT OF LAW
Consumer
Protection

Mr. Howitt gave the Committee a detailed idea of the function of his agency including examples of the following types of cases: Vending machines; work-at-home schemes; confidence swindling and loan brokerages; pyramids; lottery schemes; insurance company plans; air clubs starting up; telex directories; door-to-door magazine soliciting; negative options, similar to record clubs; meat inspecting; silver bullion ripoffs; security and banking crimes (white collar crimes).

They frequently work with other agencies, for example the Attorney General's Office regarding a funeral home selling coffins twice; and mass cremations; the ICC on house hold goods; the CAB on tariff rates; they have also worked with the P.U.C. and the Greater Anchorage Area Borough. They also work closely with the Chamber of Commerce.

Total statewide contacts and complaints have risen dramatically. In FY 73 there were 2,700 contacts including 952 complaints and financial recoveries were \$56,451. In FY 74 contacts were 5,759 with 1,198 new complaints and recoveries of \$172,365.

Their Anchorage Office consists of a clerk typist, a legal secretary I, an associate attorney as an investigator.

Last year they closed 272 cases; there were 434 new complaints. They filed sixteen law suits. They also guided a number of people to small claims court if they cannot serve them. There were a lot of out-of-state situations--the pipeline lure is definite.

Mr. Howitt informed the Committee of details surrounding the Cap Homes and Lampert Homes, which he agreed to submit to the Committee in writing.

Mr. Freeman asked about the audit done by Legislative Audit and how their recommendations were being observed. Mr. Howitt replied that they were picking up on that. The audit was done on the 1972-1973 year when the office was just getting started; they now have a check list. He said it was hard to set goals when you don't know where the next ripoff was coming from. There

was statistical material from other states that told how they operate. Georgia has some information computerized.

PUBLIC PROTECTION

Mr. Gruening asked about the Tariff Analyst position at \$43,900 DEPT OF LAW the tariff work had been done in the Attorney General's Office. Mr. Howitt said a rate specialist would save a lot of money for Consumer Protect. consumers. The tariff man would cover areas like P.U.C. and other regulatory bodies.

Mr. Haugen thought the rate specialist should be involved in the use of the pipeline and breakdown of the charges. Mr. Naughton commented that that would take twenty people.

Mr. Haugen asked how much the budget was up this year over last year and what were the new positions; Mr. Howitt replied that last year it was \$157,000. The pay increases revised this to \$181,500. This years request was for \$250,000 which includes the rate specialist. Under pipeline impact they have asked for a mag-card typewriter. They have cut travel money.

Mr. Howitt was thanked by the Chairman and the meeting was adjourned at 5:10 p.m.

ADJOURN

HOUSE FINANCE COMMITTEE
Friday, April 4, 1975
1:45 p.m.

All members were present with the exception of Mr. Naughton. Also PRESENT present was Mr. Charles Wingrove, representing the interests of the University of Alaska in Anchorage. U OF A

Chairman Malone called the meeting to order and invited Mr. Wingrove to testify.

Mr. Wingrove said that he came down to Juneau as a member of the Citizens Advisory Committee to the University of Alaska in Anchorage. He is also a full time graduate student and a member of the Executive Board of Directors of the University of Alaska.

He explained that what happened in with the Citizens Committee was this: they decided to get involved in the budgeting. A report was prepared (distributed to the committee members) and one pages 6 and 7 of that report, the items that they considered to be of very real concern to the community are enunciated. Top priority is the adult literacy laboratory, to continue to develop resource materials for adult basic education. This serves all of the other regions for adult education. The lab is staffed with people to develop bilingual materials and to translate felt and stated needs in the bush. The laboratory does not develop the subjects or decide what will be done; that is done in the smaller communities and in adult basic education. The amount is \$112,000. This is an urgently needed program, he said.

Their next priority is for library media services, and the amount is \$1,125,366. He said that they (the Committee) went through the budget documents and information and extracted everything and put them together here. Things are so bad at the Anchorage campus that professors in graduate and undergraduate programs are no longer assigning research papers because the journals and periodicals are just not there. They are far below adequate standards.

Their next priority is the paramedic program, and money needs to be transferred in there.

Mr. Wingrove commented that the Committee looked at the amount for the Rim Center at the University and felt that that should be deleted as they felt it came below actual educational priorities. Mr. Malone commented on that. He wondered what the terminal they speak of would tap into. \$170,000 anyway isn't going to do the job they say. The idea would be there would be a computer terminal facility. They are years away from that, in actuality. If it does come about it will be as the result of a lot of planning and work. It is not even in existence now, and the amount of money they have proposed is not going to bring it into existence.

Mr. Gruening brought up the subject of the library media center and asked if they are asking for a line item appropriation. Mr. Wingrove said not actually. What they are really trying to do is ask the legislature to take a new look at the way the money is being divided. They have over 8,000 full time equivalent students at Southcentral, and they are not getting a "fair shake" for what they need in media services.

Mr. Wingrove raised the subject of AMU. He said that the Advisory Committee sees some critical problems. First is that in the community college in Anchorage they have a two year associate degree program in nursing. People take the examination after two years. The people at the community college have a concern about what is going to happen to their associate degree program with the 4 year AMU baccalaureate program coming in. They wonder how it is to be divided. The University of Alaska in Anchorage is a two year community college and a two year senior college. He asked for clear legislative intent with the establishment of AMU programs that there is to be a four year university. They need that organizational system. Another problem is that there is such a dichotomy between the faculty of the community college and the senior college and with the existence of the bargaining unit, members of the community college faculty cannot now teach in upper division classes and vice versa. It is only going to take a short time for a real roadblock to develop there.

He noted from studies in the spring of 1974 that 60% of college bound students in the Anchorage area would not attend the community college because they did not want to go to community college. He said that the committee he represents sees no reason why they couldn't go to community college and get full credit for going to senior college.

There was more discussion on the priorities, and Mr. Wingrove several times emphasized that he is not asking that money be taken unfairly from the University or another area, but is only asking that they be given a fair share. Their needs are pressing and require urgent attention.

Meeting adjourned at 3:20 p.m.

ADJOURNED

4/4/75