

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2577

HOUSE FINANCE COMMITTEE
Tuesday, April 8, 1975
3:10 p.m.

Committee members present were Representatives Malone, Guy, Buchholdt, Haugen, Duncan, Itta, and Gruening.

PRESENT

Present from the Alaska Visitors Association were Mr. Frank A. Seymour, Executive Director, and Mr. John G. Stevens, Legislative Chairman.

Present from the Division of Tourism, Office of the Governor, were Mr. Richard Montague, Director; Ms. Terry Miller, Deputy Director; and Mr. Robert Dindinger, Marketing Coordinator.

Also present: Representative Mike Miller; Mr. Fred Boetsch, Deputy Commissioner of the Department of Revenue; Mr. Andy Williams of the press.

Representative Malone, Chairman, called the meeting to order. The purpose of the meeting was to hear a presentation by the Alaska Visitors Association regarding its position on the Division of Tourism budget for FY 76.

DEVELOPMENT

Alaska Visitor
Association and

Mr. Frank Seymour, Alaska Visitors Association Executive Director, distributed copies of the nine-page statement to members of the Committee. Mr. John Stevens, Legislative Chairman for the association, proceeded to read the statement to the committee (see House Finance Committee minutes pages following this meeting).

Office of the
Governor

TOURISM

(Representative Malone left the meeting at this time; Representative Buchholdt chaired the remainder of the meeting.)

Following Mr. Stevens' testimony, the meeting was open to questions from the Committee.

Mr. Gruening referred to the projects and new programs which the Alaska Visitors Association (AVA) would like to see funded and added to the Division of Tourism's budget; he asked Mr. Seymour to list the programs in a priority order.

Mr. Seymour replied that the tourism economic impact study had originally headed the priority list. However, the AVA felt that this item had been taken care of since the Governor recommended \$175,000 for the study in the FY 76 Capital Budget.

4/8/75

Mr. Seymour said that the remainder of the new programs which were suggested in the AVA's position paper would be prioritized as follows: (1) the Anchorage office; (2) Information centers; (3) Fairbanks center; (4) and other minor items mentioned in the statement.

Representative Buchholdt referred to Page 2 of the AVA's presentation and asked Mr. Seymour to comment on the statement that, "Our 90 to 100 day season is our greatest deterrent to building new or expanding existing facilities...." Mr. Seymour explained that tourist traffic in Anchorage and Fairbanks shares facilities (hotels for example) used by commercial traffic and Alaskan travelers. He said that this is not true in the smaller communities which have a significant space-available factor. Mr. Seymour stated that 95% of tourist traffic occurs from June 1 through the Labor Day weekend. The AVA believes that the season should be spread from May through September. Mr. Seymour added that the Division of Tourism has made a constant effort to broaden the season and attract more tourist traffic into the "space-available" communities.

Representative Buchholdt asked what the AVA is doing to encourage winter tourism in the state. Mr. Seymour replied that skiing promotion is one industry in which there has been heavy investment. Skiing at Alyeska has been a definite success. The Japanese market, coupled with the local market, allowed Alyeska to finally show a profit two years ago.

Mr. Seymour then referred to the "September Fest" which is an attempt to attract more tourist traffic during the autumn months. He said that developing an increase in tourist traffic during the Spring months has not been successful. Mr. Stevens told the Committee that the airlines are trying to create programs where autumn travel packages will cost 20% to 30% less than in the summer months.

Representative Buchholdt referred to the Tourism Division budget hearing which took place earlier in the session; she then stated that it had been mentioned during the hearing that one problem with tourism is that most people are coming to Alaska looking for work connected with the pipeline rather than just touring the state. Representative Buchholdt then asked if the AVA found this to be true as well. Mr. Seymour said that the AVA refers to these people as "commercial traffic". He stated that the problem must be dealt with this year; there will be a shortage of rooms in key areas of the state. The AVA feels that information centers are crucial in regard to the problem. Without the centers, there is no one available to direct tourists to outlying areas where space is available.

Representative Buchholdt referred to the airline tour packages to the Arctic. She said the tourists stop over in Nome and fly to Kotzebue where they disembark and then get right back on the plane. Representative Buchholdt asked how the AVA encourages people to stay in Kotzebue for a longer period of time. Mr. Seymour

said there are tour packages which consist of overnighing in Kotzebue now, because Kotzebue has hotel accommodations. The AVA cannot sell areas as overnight stops unless overnight accommodations are available.

Representative Buchholdt asked if the AVA had plans to develop tourism in the state for the residents of Alaska. Mr. Seymour replied that such plans fall under the duties of the Division of Tourism. Representative Buchholdt pointed out that travel promotion for Alaskans in Alaska should be an exciting prospect; she asked if Mr. Seymour had any idea of how the AVA could get involved in this sort of program. Mr. Seymour replied that the AVA has a marketing program which is very limited. The AVA is sustained only by its dues-paying members.

Mr. Seymour told the Committee that ten years ago, tour packages for travel in Alaska were available only in Seattle, the gateway to the State. Now, however, tour packages are available in Anchorage and Fairbanks. The AVA feels that information centers there are the economic answers for offering Alaskans Alaska travel.

Mr. Seymour stated that the Division of Tourism has several legal responsibilities spelled out in the statutes. One responsibility which the Division has never carried out is to "provide expertise and service to communities." Mr. Seymour said that most (90%) of the Division's activity centers around marketing. He added that the AVA is not suggesting that there be less marketing, but the AVA does suggest adding staff to the Division of Tourism to assist communities and the large Native corporations. The AVA believes that the Native corporations are looking at the visitor industry as a potential investment. The private sector cannot provide this expertise to potential investors, communities, or Native corporations. Therefore, the AVA feels the Tourism Division staff should be expanded to open offices in Fairbanks and Anchorage.

Mr. Seymour said the marketing center in the state is Anchorage; for the coordination of marketing to take place properly, trained people must be located in Anchorage. Trained people are also necessary in Fairbanks, but to a lesser degree. The additional positions will enable the Division of Tourism to carry out the responsibility of providing expertise and service to communities.

Representative Duncan pointed out that great tourism opportunities existed in Southeast Alaska as well as in Anchorage. Mr. Seymour agreed but said that Juneau already has a tourism staff. He explained to the Committee that the cruise ship traffic in Alaska has increased five hundred percent, and the Division of Tourism is handling the increase with the same number of positions.

Mr. Seymour added that the AVA had requested funding for information centers last year too, but the request was denied. As a result, there was a "temporary lash-up" (information center) at the Anchorage International Airport. He stated that they are doing what they can with what they are given, but it is a poor way to do business.

Representative Duncan asked Mr. Montague, Director of the Tourism Division, for his view of the AVA presentation. Mr. Montague explained to the Committee that the tourism industry has its own position to present; the Governor has presented his position in his budget. Mr. Montague said the Governor's budget reflects his level of funding and his views on tourism. He added that he did not know if it would be proper for him to endorse or not endorse the AVA's position.

Representative Duncan asked Mr. Montague if he were aware of what the industry is trying to accomplish. Mr. Montague replied that he was aware of the programs. He said that the visitor information center program has been a longstanding concern, and the Division of Tourism "should take a long look" at it. He stated that the visitor information centers are located where people enter the state, and these locations provide opportunities to direct people to other communities in the state by distributing information. Mr. Montague said that the visitor centers would also be beneficial in promoting Alaska travel for Alaskans.

Representative Duncan asked Mr. Montague if it would be possible to accomplish the AVA recommendations with the current Tourism Division staff level. Mr. Montague said he thought the Division can make a very good effort in that direction. He told the Committee that he will do his best with the funding he has available; with more money, they can, of course, accomplish more. It is a question of how much money is appropriated to do the job.

There being no further discussion at this time, the Committee recessed at 3:45 p.m.

RECESS

4/8/75

ALASKA VISITORS ASSOCIATION

POSITION PAPER ON STATE OF ALASKA BUDGET ITEMS -- 1976 FY
PRESENTED TO SENATE AND HOUSE FINANCE COMMITTEES
ON OR ABOUT APRIL 1, 1975

THE ALASKAN OUT-OF-STATE VISITOR VOLUME HAS GROWN OVER THE PAST FIVE YEARS FROM 130,000 VISITORS IN 1970 TO A PROJECTED VOLUME OF 265,000 FOR 1975. IF THIS PROJECTED FIGURE IS REACHED THIS YEAR, AND WE HAVE EVERY REASON TO BELIEVE IT WILL BE, WE ESTIMATE THAT ALASKAN CITIZENS WILL RECEIVE \$50,500,000. IN WAGES FROM OUT OF-STATE VISITOR TRAFFIC. OF COURSE, THIS DOES NOT TAKE INTO CONSIDERATION INCOME GENERATED BY ALASKANS ENJOYING THE SAME SERVICES AND FACILITIES IN THE PURSUIT OF THEIR PERSONAL RECREATION IN OUR STATE. IF THESE "ALASKAN" EXPENDITURE FIGURES WERE DOCUMENTED WE BELIEVE THEY WOULD ADD AT LEAST 30% TO 40% TO THE VISITOR INDUSTRY DOLLAR VOLUME.

THIS CHANGE IN THE SIZE OF OUR INDUSTRY HAS BEEN BROUGHT ABOUT BY THE CONSTANT PROMOTION AND MARKETING EFFORTS OF PRIVATE INDUSTRY AND THE STATE. THE PRIVATE SECTOR IN THE 1975 CALENDAR YEAR WILL SPEND IN EXCESS OF \$4 MILLION IN MARKETING ALASKA. WHILE TOUR OPERATORS, AIR CARRIERS, AND CRUISE SHIP OPERATORS ARE THE LARGEST SPENDERS OF MARKETING MONIES, WE SHOULD NOT DISCOUNT THE LARGE NUMBERS OF LODGE OWNERS, HOTEL OPERATORS, AND INNUMERABLE BUSINESSES THAT SPEND 2 TO 5 PERCENT OF THEIR ANNUAL GROSS FOR MARKETING THEIR PRODUCT TO THE ALASKAN VISITOR. A GREAT DEAL OF THIS FINANCIAL EFFORT IS SPENT OUTSIDE OF THE STATE IN THE FORM OF DIRECT ADVERTISING DOLLARS, PAYROLL, AND PROMOTIONAL ACTIVITY. ALL THIS IS HELPING TO GENERATE ALASKAN TRAFFIC.

THE STATE OF ALASKA, THROUGH THE DIVISION OF TOURISM
DURING THIS CURRENT FISCAL YEAR IS SPENDING, IN ROUND
FIGURES, ABOUT 1/2 MILLION DOLLARS IN MARKETING, INCLUDING
ADVERTISING AND PROMOTIONAL PROJECTS AND PRINTED MATERIALS.
THE DIVISION IS SPENDING ABOUT \$200,000, ADDITIONAL FOR
THE COST OF PROMOTIONAL STAFF AND RELATED PROMOTIONAL
ACTIVITY.

WHILE OUR INDUSTRY IS INCREASING, ITS GROWTH IS NOT MUCH
ABOVE THE NATIONAL OR INTERNATIONAL GROWTH RATE OF RECREA-
TIONAL TRAVEL. WE, IN THIS HOSPITALITY BUSINESS, ARE CONFRONTED
TODAY WITH SEVERAL PROBLEMS--SOME NEW, SOME HAVE BEEN
WITH US FOR MANY YEARS.

FIRST, THE NATIONAL ECONOMY IS DOWN. WHILE WE DO NOT
EXPECT SERIOUS REPERCUSSIONS ON THE ALASKA VISITOR INDUSTRY
IN THE CURRENT CALENDAR YEAR, WE CAN ANTICIPATE NEGATIVE
EFFECTS, BECAUSE OF THE NATIONAL ECONOMY, ON ALASKA'S
VISITOR TRAFFIC IN 1976. ON THE OTHER SIDE OF THE COIN,
WE KNOW THE EXPOSURE ALASKA IS RECEIVING IN NATIONAL
AND INTERNATIONAL NEWS MEDIA DUE TO THE OIL AND PIPELINE
ACTIVITY WILL BE A POSITIVE FACTOR IN THE DEVELOPMENT
OF OUR TRAFFIC IN THE NEXT FEW YEARS.

MARKETING OF RECREATIONAL DESTINATION AREAS HAS BECOME
HIGHLY COMPETITIVE. GOVERNMENTAL AGENCIES CONTIGUOUS
WITH DESTINATION AREAS INVOLVED ARE SPENDING LARGER AND
LARGER PERCENTAGES OF THEIR BUDGETS FOR THE PURPOSE OF
FOSTERING THIS LUCRATIVE INDUSTRY. THE COMPETITION FOR
THE AFFLUENT TRAVELER IS BECOMING PARTICULARLY KEEN. AND,
IT'S PRIMARILY THE AFFLUENT TRAVELERS THAT COME TO ALASKA
FOR TOURING AND ENJOYING OUR OUTDOOR RECREATION.

A SECOND PROBLEM AREA WE CAN READILY IDENTIFY IS OUR
SHORT VISITOR SEASON IN ALASKA. OUR 90 TO 100 DAY SEASON
IS OUR GREATEST DETERENT TO BUILDING NEW OR EXPANDING
EXISTING FACILITIES AND SERVICES TO ACCOMMODATE ALASKANS
AND OUR VISITORS ALIKE AS THEY RELAX AND ENJOY OUR GREAT

STATE. THIS PROBLEM IS OF A MAGNITUDE THAT CAN ONLY BE DEALT WITH IF THE STATE GOVERNMENT WILL PROVIDE THE NECESSARY LEADERSHIP AND PARTICIPATION.

A THIRD AREA OF CONCERN IS THE CURRENT HIGH DEMAND FOR ACCOMMODATION SPACE IN SEVERAL KEY COMMUNITIES, SUCH AS FAIRBANKS, ANCHORAGE AND VALDEZ. THE SHORTAGE OF SPACE IN THESE AREAS HAS PLACED AN EXTRA BURDEN ON MANY WHO WOULD MARKET ALASKA TO THE GROUP TRAVELER AND A POTENTIAL INCONVENIENCE TO THE INDIVIDUAL TRAVELERS WE WILL BE RECEIVING THIS YEAR. THE NEGATIVE LABEL OF "NO ROOM AT THE INN IN ALASKA" CAN SPREAD QUICKLY THROUGHOUT THE TRAVEL TRADE AND THIS LABEL COULD TAKE SEVERAL YEARS OF COSTLY INFORMATIONAL AND MARKETING EFFORT TO CORRECT.

WHILE IT IS TRUE THAT DURING THE SUMMER MONTHS SPACE WILL BE SHORT IN SOME OF THESE KEY SPOTS, WE HAVE MANY FACILITIES IN THE OUTLYING AREAS, SUCH AS LODGES, FISHING CAMPS, ARCTIC VILLAGES, AND SMALL COMMUNITIES, THAT WANT AND NEED ADDITIONAL VISITOR VOLUME. COMMUNITIES IN SOUTHEASTERN ALASKA, AND PARTICULARLY JUNEAU, ARE IN NEED OF ADDITIONAL TRAFFIC THIS YEAR AND 1976. OUR PROBLEM THEN IS ONE OF TRYING TO BALANCE OUR TRAFFIC TO FIT OUR ACCOMMODATIONS. ONCE AGAIN, THIS IS THE TYPE OF PROBLEM THAT CAN ONLY BE DEALT WITH EFFECTIVELY BY STATE GOVERNMENT. CORRECT AND ACCURATE INFORMATION TO VISITORS IN ALASKA, AS WELL AS DISSEMINATING CORRECT INFORMATION AND COORDINATING WITH TRAVEL AGENTS, CAN BE A VITAL TOOL IN LEVELING OUT AND DIRECTING OUR TRAFFIC.

A FOURTH AREA WE BELIEVE NEEDS ATTENTION LIES IN THE FUTURE DEVELOPMENT OF OUR STATE VISITOR INDUSTRY. MANY ALASKANS ARE CONSIDERING INVESTING IN THE VISITOR INDUSTRY. WE HAVE EXPERIENCED A DEVELOPMENT OVER THE PAST FEW YEARS OF A FEW MAJOR FIRMS WITH HIGH VESTED INTEREST IN OUR VISITOR TRAFFIC OWNED AND OPERATED BY ALASKANS. THIS TREND, WE BELIEVE, COULD AND SHOULD BE STIMULATED. ALSO, SEVERAL OF THE NATIVE CORPORATIONS HAVE ALREADY

BEGUN INVESTING IN HOTELS AND RECREATIONAL FACILITIES. NEW ACCOMMODATIONS IN BARROW AND KOTZEBUE ARE NATIVE OWNED AND SOUTHEASTERN AS WELL AS SOUTHCENTRAL NATIVE GROUPS ARE LOOKING SERIOUSLY AT INVESTMENT IN VISITOR RELATED FACILITIES AND SERVICES.

THESE PEOPLE ARE SEEKING ADVICE AND INFORMATION FROM THE STATE DIVISION OF TOURISM ON WHAT IS HAPPENING IN THE STATE VISITOR TRAFFIC, AND WHAT THE POTENTIAL'S ARE. MOST ALASKAN COMMUNITIES ARE INTERESTED IN STIMULATING THE VISITOR TRAFFIC BUT, THEY LACK THE DEVELOPMENT AND MARKETING KNOW-HOW ON A COMMUNITY-WIDE LEVEL TO PROPERLY DEAL WITH THE SUBJECT. THE STATE CANNOT DO THE JOB FOR THEM; BUT THE STATE CAN PROVIDE GUIDANCE AND COORDINATION.

WE NEED TO CONTINUE TO PROVIDE NEW INFORMATION ABOUT SOME OF THE PROBLEM AREAS AND OPPORTUNITIES THAT THIS INDUSTRY AFFORDS US TODAY AND FOR THE FUTURE. HOWEVER, LET US NOW TURN TO SPECIFICS THAT WE FEEL THE DIVISION OF TOURISM NEEDS IN ORDER TO BETTER FACILITATE THE STATE'S INVOLVEMENT IN THE ORDERLY GROWTH OF THE ALASKA VISITOR INDUSTRY.

FIRST, LET ME SAY THAT THE ALASKA STATE DIVISION OF TOURISM HAS A MULTITUDE OF TASKS IN THEIR STATUTORY DESCRIPTION OF RESPONSIBILITIES. MARKETING IS CERTAINLY THE PRIME ONE; THEY ARE ALSO DIRECTED, AND COULD AND SHOULD BE CONCERNED WITH, ASSISTING THE COMMUNITIES AND REGIONS IN THE STATE OF ALASKA IN PARTICIPATING IN THE INDUSTRY.

THE DIVISION OF TOURISM STAFF HAS NOT CHANGED IN THE NUMBER OF PERMANENT POSITIONS IN FIVE YEARS. IN THAT SAME TIME FRAME THE ALASKA VISITOR INDUSTRY HAS DOUBLED IN SIZE, AND THE NUMBER OF STATE EMPLOYEES HAS DOUBLED IN SIZE. WE RESPECTFULLY SUGGEST TO YOU THAT WITH THE HEAVY BURDEN OF RESPONSIBILITY WHICH THE DIVISION IS CHARGED AND WITH THE GROWTH FACTORS MENTIONED, IT IS TIMELY THAT A SIGNIFICANT ADDITION BE MADE TO THE STAFF

OF THE DIVISION. WE HAVE NO QUARRELS WITH THE DIVISION TRYING TO ECONOMIZE AND PERHAPS HANDLING MORE ACTIVITIES THROUGH CONTRACTUAL SERVICES OR OTHER SUCH CHANGES IN MANAGEMENT AS THE ADMINISTRATION MAY DIRECT; HOWEVER, WE BELIEVE IT WOULD BE APPROPRIATE FOR A MINIMUM OF FOUR NEW POSITIONS TO BE CREATED AND FUNDED EFFECTIVE JULY 1, 1975. AN OUTLINE OF THOSE POSITIONS AND THEIR APPROXIMATE COST IS AS FOLLOWS:

NEW POSITIONS FOR ANCHORAGE

TOURISM DEVELOPMENT SPECIALIST (RANGE 20) \$23,000.00.
RESPONSIBILITIES INCLUDE BUT NOT LIMITED TO BRINGING OFF-LINE OPERATORS INTO THE PACKAGE TOUR STREAM. WORK WITH COMMUNITIES AND NATIVE CORPORATIONS. COORDINATION WITH PRIVATE SECTOR IN MARKETING PROGRAMS. SERVICE AREA SOUTHCENTRAL ALASKA AND THE ALASKA PENINSULA.

INFORMATION OFFICER -- (RANGE 18) \$17,000.00
WORKING WITH MEDIA ON ALASKA FAM TRIPS PRESS LIASON, SUPERVISING STATEWIDE INFORMATION CENTERS ACTIVITY AND PARTICIPATION IN PUBLIC EDUCATION PROGRAMS SUCH AS ALASKA HOST.

SUPPORTING CLERICAL STAFF OF ONE PERSON. OFFICE SPACE AND ADDITIONAL TRAVEL COST WOULD BRING THE ESTIMATED TOTAL COST FOR THIS STAFF AND AN ANCHORAGE OFFICE TO \$75,000.00.

NEW POSITION FOR FAIRBANKS

TOURISM DEVELOPMENT SPECIALIST (RANGE 18) \$17,000.00.
RESPONSIBILITIES INCLUDE, BUT NOT LIMITED TOO, BRINGING IN OFF LINE OPERATORS INTO THE PACKAGE TOUR STREAM, WORK WITH BUSINESS COMMUNITIES AND NATIVE CORPORATIONS TO FACILITATE ORDERLY GROWTH. SUPERVISE INFORMATION CENTERS AT THE FAIRBANKS INTERNATIONAL AIRPORT AND TOK. SERVICE AREA INTERIOR AND ARCTIC ALASKA.

ESTIMATED TOTAL COST (ASSUMING SOME SHARED SPACE AND CLERICAL HELP WAS AVAILABLE) \$30,000.00.

A SECOND AREA THAT WE BELIEVE NEEDS TO BE FUNDED PROMPTLY IS A AMOUNT OF \$109,000.00 AS A SPECIAL LINE ITEM IN THE DIVISION'S BUDGET FOR THE PURPOSE OF OPERATING VISITOR INFORMATION CENTERS IN FIVE KEY POINTS.

STATE OPERATED INFORMATION CENTERS

TOK

FAIRBANKS INTERNATIONAL AIRPORT

ANCHORAGE INTERNATIONAL AIRPORT

SEATTLE MARINE HIGHWAY TERMINAL

PRINCE RUPERT

THESE FUNDS WOULD ALSO PROVIDE SUFFICIENT AND MEANINGFUL MATCHING GRANTS FOR ADDITIONAL HIGH VISITOR VOLUME INFORMATION CENTERS SUCH AS: HAINES, NENANA, SOLDOTNA, KETCHIKAN, JUNEAU, SITKA, AND OTHERS.

PUBLIC INFORMATION DISSEMINATION TO THE TRAVELER IN ALASKA IS AT AN ALL TIME LOW IN EFFICIENCY AND ACCURACY. OUR VISITOR VOLUME, BOTH RECREATIONAL, COMMERCIAL AND ALASKAN, HAVE REACHED SUCH PROPORTIONS THAT VOLUNTEER EFFORTS THAT HAVE BEEN MOST ABLY PERFORMED IN THE PAST ARE INADEQUATE TO DEAL WITH THE TRAFFIC. AS INDICATED EARLIER, IF WE DO NOT GIVE ACCURATE INFORMATION WE CANNOT FUNNEL THE RECREATIONAL TRAVELERS INTO THE NEEDED AREAS WHERE VACANCIES EXIST. WE DO NOT BELIEVE THIS IS THE ULTIMATE ANSWER TO THE VISITOR INFORMATION CENTERS. WE CONSIDER THIS A STOPGAP PROGRAM UNTIL SUCH TIME AS THE PROBLEM CAN BE INVESTIGATED THOROUGHLY AND A WELL DESIGNED STATEWIDE INFORMATION CENTER PROGRAM CAN BE FUNDED AND IMPLEMENTED.

IF THESE FUNDS ARE NOT PROVIDED IT IS OUR UNDERSTANDING THAT THE INFORMATION CENTER AT THE ANCHORAGE INTERNATIONAL AIRPORT WILL CEASE FUNCTIONING BECAUSE ITS CURRENT OPERATION IS A TEMPORARY LASH-UP FUNDED WITH CONTINGENCY FUNDS BY THE COMMISSIONER OF PUBLIC WORKS LAST YEAR. AT THAT TIME THE BOOTH WAS DUE TO BE CLOSED DUE TO INABILITY OF THE VOLUNTEERS TO KEEP PACE WITH THE LARGE VOLUME OF TRAVELERS.

INFORMATION BOOTHS ARE IMPORTANT "POINTS OF PURCHASE" FOR US. WE MUST NOT LIGHTLY SET ASIDE THIS VITAL FUNCTION. WE RESPECTFULLY REQUEST THIS FUNDING BE ADDED TO THE PROPOSED DIVISION OF TOURISM BUDGET.

THE ASSOCIATION HAS BEEN ADVISED THAT THE ADMINISTRATION HAS INCLUDED IN THE DEVELOPMENT SECTION OF THEIR CAPITAL BUDGET A LINE ITEM OF \$175,000.00 FOR THE PURPOSE OF CONDUCTING AN ECONOMIC IMPACT SURVEY ON TOURISM. WE ENDORSE THIS PROPOSED FUNDING. THE NEED FOR THIS STUDY IN OUR OPINION IS IN SUCH MAGNITUDE THAT IT RESTS AT THE TOP OF OUR PRIORITY LIST. WE SOLICIT YOUR SUPPORT OF THIS APPROPRIATION. OUR INDUSTRY, COLLECTIVELY AND AS INDIVIDUAL BUSINESSES, STANDS READY TO ASSIST IN THIS DATA COLLECTION EFFORT.

THE EXISTING STAFF IN THE DIVISION OF TOURISM HAS PERFORMED WELL IN THEIR EFFORTS TO FACILITATE THE PROMOTION OF TOURISM. WE WANT TO COMMEND THEM TO YOU FOR THEIR EFFORTS. NOW THEY NEED MORE HELP IF WE ARE TO RETAIN A HEALTHY VISITOR INDUSTRY.

WE HAVE RECOGNIZED FOR SEVERAL YEARS THAT TOURISM AND RECREATION HAS NEEDED MORE LEADERSHIP AND COORDINATION. THE INDUSTRY EXPENDED \$28,000 FOR COORDINATIONAL ENDEAVORS IN 1969 AND IN 1974 THE INDUSTRY CASH INVESTMENT IN THIS AREA EXCEEDED \$150,000. IN AVA DUES, CONFERENCE FEES AND SIMILAR ITEMS, NOT TO MENTION THOUSANDS OF VOLUNTEER MAN-HOURS AND THOUSANDS OF DOLLARS IN TRAVEL EXPENDITURES PAID BY PARTICIPANTS WORKING TOGETHER FOR THE COMMON GOOD OF THOUSANDS OF ALASKANS.

NOW WE ARE ASKING THE STATE TO PARTICIPATE MORE FULLY AS A LEADER IN THIS EFFORT. GOVERNMENTAL AGENCIES THAT DEAL WITH SERVICES PERTAINING TO VISITOR TRAFFIC NEED TO COORDINATE THEIR EFFORTS. THE FEDERAL GOVERNMENT IS PART OF THIS. THEY CONTROL MOST OF OUR MAJOR ATTRACTIONS, SUCH AS MT. MCKINLEY AND GLACIER BAY. THE DIVISION OF TOURISM CAN AND SHOULD PLAY THE LEAD ROLL IN PULLING THESE ELEMENTS TOGETHER. THIS TAKES STAFFING, TRAVEL MONEY AND, MOST OF ALL, THE STRONG BACKING OF THE LEGISLATURE.

OTHER STATE AGENCIES, SUCH AS THE DIVISION OF PARKS, FISH AND GAME, MARINE HIGHWAYS, HIGHWAYS, AND AVIATION MUST BE ENCOURAGED AND FINANCIALLY SUPPORTED IN "ALASKAN TRAVEL COORDINATION".

WE WOULD ENCOURAGE THE LEGISLATURE TO BUDGET FOR AN INTERIM COMMITTEE ON TOURISM AND/OR LEGISLATIVE PARTICIPATION IN A GOVERNORS CONFERENCE ON TOURISM WHICH WE HAVE REQUESTED THE GOVERNOR TO CONVENE AS EARLY AS APRIL, 1976.

TO SUM IT UP, WE ARE ASKING YOU TODAY TO ADD ON TO THE BUDGET:

\$105,000	FOR ADDITIONAL STAFF IN AN ANCHORAGE AND FAIRBANKS OFFICE. (DIVISION OF TOURISM BUDGET.)
\$109,000	FOR STATE OPERATION AND GRANTS TO VISITOR INFORMATION CENTERS. (DIVISION OF TOURISM BUDGET.)
\$ 6,000	FOR SEPERATE LINE ITEM APPROPRIATIONS FOR EXPENSES OF THE TOURISM ADVISORY BOARD. (DIVISION OF TOURISM BUDGET.)
\$ 10,000	FOR FUNDING FOR NEW SIGNS IDENTIFYING HISTORICAL AND SCENIC POINTS OF VIEW (THE SEEKERS LOGO). (DIVISION OF

PARKS BUDGET)

SUB-TOTAL
\$230,000.

ALSO, WHAT THE LEGISLATURE MIGHT
DEEM NECESSARY FOR AN INTERIM
LEGISLATIVE COMMITTEE TO FUNCTION
DURING THE NEXT YEAR.

AND, WE SOLICIT YOUR SUPPORT FOR THE DIVISION OF TOURISM'S
BUDGET IN GENERAL AND THE FUNDING FOR THE ECONOMIC IMPACT
STUDY AS PRESENTLY INCLUDED IN THE ADMINISTRATION'S PROPOSED
BUDGET.

ON BEHALF OF THE 355 AVA MEMBERS AND THE THOUSANDS OF
ALASKANS THAT MAKE THEIR LIVING BY PROVIDING SERVICES
AND PRODUCTS TO OUR VISITORS I THANK YOU FOR THIS OP-
PORTUNITY TO APPEAR BEFORE YOU TODAY.

F. A. SEYMOUR
EXECUTIVE DIRECTOR

JOHN G. STEVENS
LEGISLATIVE CHAIRMAN

A. E. "BUD" HAGBERG
PRESIDENT

CHARLES Q. CONWAY
VICE PRESIDENT, STATE AFFAIRS

AFTER RECESS
1:00 p.m.

Chairman Malone called the meeting back to order. Committee began going over the capital projects in the Administration of Justice category. CAPITAL PROJECTS

New Court Building, Barrow. Mr. Malone said that his recommendation is for leaseback financing. The Court System has requested \$74,000. His recommendation was for \$75,000 for lease-back financing for the Barrow Court Facility. He thought that if that were put in the capital budget with specific not that this is put in for lease-back financing and is not to be an ASHA project, that would take care of the situation. In addition, he suggested LEGISLATIVE INTENT that the lease-back plan be presented for approval to the Budget and Audit Committee. ADMIN OF JUSTICE

(NOTE: Later decision was to put this into the operating budget rather than the capital budget.) LEG. INTENT

Bethel Court Building. Same recommendation as for Barrow. Mr. Malone said that Mr. Guy was going to get together with the Administrator of Courts to determine who would be doing the construction. He (Mr. Malone) said that he did not know what the amount would be but he suggested an equivalent amount to that for Barrow. Mr. Guy did not feel it was definite that someone would be willing to take part in such a leaseback operation, and he MOVED the figure of \$954,800 for Bethel. Mr. Malone objected. In discussion on the motion, Mr. Guy said that in discussion with Snowden he and Mr. Malone had worked together with Mr. Snowden and later he (Mr. Guy) had told Mr. Snowden that he was still pursuing the state constructing the building and he commented that it would probably save the state some money in the long run. That, Mr. Guy said, is one of his basic pursuits. Mr. Malone said that he thinks it is true that it would probably save the state money in the long run. However, to some degree the state's short term problems have to be reckoned with. He said that he had a previous discussion with Mr. Snowden and he thought that if they had a similar amount to the amount for Barrow that they could develop a lease plan for construction in Bethel. Mr. Guy said that he didn't know of any prospective contractors or lessors who would be willing to accept this concept at the present time. Barrow is a different story. Lengthy discussion followed, with the idea of Chalista becoming involved. Mr. Guy said that Chalista has not indicated any intent to do this at this time. Mr. Guy agreed to look into this further. Motion

Bethel Storage addition. This item was put off, also, pending further information on Bethel lease-back. Should the lease-back concept be approved for Bethel, the storage addition would be included.

5/7/75

Fairbanks Court Building. This was an additional request in the amount of \$1,556,000. Subcommittee recommendation is to reduce that to \$500,000. The Court System has \$700,000 funds available and the \$500,000 would allow them to put in the necessary facilities for the district court judge. The rest they can hold off on.

Old Anchorage Court Building. Mr. Malone explained that this was broken down into two parts -- exterior work and interior work. His recommendation was to take care of the interior work, at a cost of \$110,800, and to defer the exterior work.

New Anchorage Court Building. The request is for \$26,600 to modify the heating system. It is expected that this will save some on heating expenses. He recommended the figure.

Electronic recording equipment. Subcommittee recommended the \$47,600 figure in the Governor's Allowance.

Juneau Court Building Plaza. Subcommittee recommended the requested \$130,000.

Valdez Court Building Site Work. Subcommittee recommendation was the \$96,000 request.

Committee went back through the subcommittee recommendations, finalizing the figures:

Barrow Court Building. Mr. Gruening moved subcommittee's recommendation including provision for approval by Budget and Audit. No objection, so ordered. (MOVED TO OPERATING BUDGET) \$75,000

Old Anchorage Court Building Remodeling. Mr. Gruening moved to accept the subcommittee recommendation of \$110,800. No objection, so ordered. 110,800

New Anchorage Court Building, Improvements Mr. Duncan moved to adopt the subcommittee recommendation. No objection. 26,600

Electronic Recording Equipment. Mr. Gruening moved subcommittee recommendation. No objection, so ordered. 47,600

Bethel Storage and Bethel Court Building. -- OPEN

Juneau Court Building Plaza. Mr. Duncan moved \$130,000 for the Juneau building plaza. Objection was heard. Mr. Duncan felt very strongly about this work being done. After discussion, the objection was withdrawn and the motion carried, no objections. 130,000

Valdez Court Building Site Work. This was not taken care of in the original contract, where it would have cost \$35,000; now the cost is \$96,000; the cost has tripled, so far. Mr. Haugen moved to approve the figure of \$96,000. No objection, so ordered. 96,000

5/7/75

Under Health and Social Services, subcommittee had two recommendations: Health
and Soc
Service

Anchorage State Jail Smoke Detection System. Mr. Malone said that the jail has been condemned by the fire marshal. His recommendation is \$25,600 for this item. Mr. Duncan so moved. No objection, so ordered. \$25,600

Security Fence, Juneau State Jail. Mr. Malone's recommendation was to allow the \$39,700. Mr. Duncan so moved. No objection. 39,700

Public Safety requests were deleted, without objection. The

Public Protection was the next category. Military Affairs requests were for \$15,000 for an Armory Master Plan, and \$242.6 for Anchorage Armory Design. Mr. Malone read a statement on the reasons for these requests. Mr. Hogan wondered if there might not be some space available as the military operations in Alaska are phased out. Mr. Cowper moved to delete the \$242,600 for the Anchorage Armory Design, with the idea that this space possibility be looked into. Mr. Gruening objection; on vote, motion carried with Reps. Haugen, Gruening and Buchholdt objecting. Motion was made to leave the \$15,000 for the Armory Master Plan in, along with LEGISLATIVE INTENT that before pursuing additional capital construction, the Department of Military Affairs should investigate the possibility of using facilities which may become vacant in the near future and are presently being used by the active military in Alaska. No objection, so ordered. PUBLIC
PROTECTION
LEG.
INTENT
\$15,000

Meeting adjourned at 1:55 p.m.

ADJOURNED

5/7/75

HOUSE FINANCE COMMITTEE

May 9, 1975

9:00 a.m.

All members with the exception of Representative Guy. Also present were J. H. Hogan and Robert Grogan, Legislative Finance Division.

Present

The Chairman called the meeting to order. The Committee considered the capital budget at this time.

(Rep. Haugen left the meeting.)

Capital Budget, General Policy. Mr. Hogan suggested that new appropriations be made for FY 76 capital projects. Funds appropriated in prior years for "stale" projects should not be diverted to fund FY 76 projects. The Committee concurred. Representative Naughton suggested that intent be written to permit capital projects funds of certain amounts to lapse after a period of one year; funds amounting to a higher figure would lapse after two years; funds for larger projects would lapse after three years. Representative Naughton said the intent would prevent funds previously authorized from being diverted into other projects by the agencies. Representative Malone instructed Mr. Hogan to prepare such intent.

CAPITAL
BUDGETS

Natural Resource Management & Environmental Conservation capital budget, was considered at this time.

NATURAL
RESOURCE
MGMT. &
ENV. CONSV.

Upper Fire Lake Outlet Control, Water Purification-Eagle River. The Governor's recommendation of \$65,000 was accepted.

Harris Harbor Floats - Juneau. The Governor's recommendation of \$30,000 was accepted by the Committee.

Frazer River Fish Ladder Design - Kodiak Island. The Governor's recommendation of \$25,000 was accepted by the Committee.

Ft. Richardson Well Field/Aeration Tower - Anchorage. The Governor's recommendation of \$150,000 was accepted by the Committee.

Fish Transport Unit - Petersburg. The Governor's recommendation of \$70,000 was accepted by the Committee.

Incubation Buildings - Crooked Creek. The Governor's recommendation of \$75,000 was accepted by the Committee.

Side Scanning Sonar - Southeast Alaska. The Governor's recommendation of \$30,000 was accepted by the Committee.

Land Acquisition - Mat-Su Borough. The Governor's recommendation of \$20,000 (\$10,000 General Fund, \$10,000 Federal) was accepted by the Committee.

Big Lake Incubation Facilities - Housing. The Governor's recommendation of \$129,000 was accepted by the Committee.

Standby Generator Purchase - Petersburg. The Governor's recommendation of \$73,600 was accepted by the Committee.

Feasibility Study, Snettisham Production - Juneau. The Governor's recommendation of \$20,000 was accepted by the Committee.

Radar, Diesel Engine Replacement. The Governor's recommendation of \$41,600 was accepted by the Committee.

Bertram Patrol Boats - Various Locations. The Governor's recommendation of \$375,000 was accepted by the Committee.

Special Assessments to State-Owned Lands. The Governor's recommendation of \$540,600 was accepted by the Committee. Representative Malone noted that the total included approximately \$9,300 for accrued interest and penalties on past due accounts. He stated that language should be inserted (as intent) to read that the State will pay "only principal and interest due". Representative Malone felt that the State should not pay penalties. There was no objection.

Intent

Merrill Field Subdivision - Anchorage. The Governor's recommendation of \$506,700 was accepted by the Committee.

(Rep. Duncan left the meeting.)

Village Safe Water Facilities. The Governor's recommendation of \$1,000,000 was accepted by the Committee. Representative Naughton told the Committee that the agency had not yet come up with the locations for the Village Safe Water projects. Representative Malone stated that the appropriation should be made to the Office of the Governor so that the project plans and requests for funds for particular projects will have to go through the formal revised program process and be approved by the Budget and Audit Committee before being transmitted to the Department of Environmental Conservation; no objection

Intent

Education, Capital Budget, Sand Point Aquaculture Program. Representative Naughton suggested that \$10,000 be added to the Education capital budget for this project. He explained that Sand Point School is conducting a hatchery instruction program. The school now has \$58,000 with which to operate but needs \$10,000 to build a physical plant. Representative Naughton said the students are taught hatchery operation, and once a four-year cycle has been completed, the fish belong to the school which can sell them; thus, the school can become self-supporting. There was no objection voiced by Committee

EDUCATION

members. It was decided that the \$10,000 would be inserted during consideration of the Education capital budget.

North Slope Campground, Prudhoe Bay was a project listed under anticipated capital improvements FY 1977-81 for \$100,000 federal money with \$100,000 from a general obligation bond issue. Representative Itta stated that although this was not a project up for consideration during this fiscal year, she wished to have more information regarding the background of the project. She requested that a letter be written to the Commissioner of the Department of Administration, asking who had suggested the project. Representative Malone stated that he would write the letter.

NATURAL
RESOURCE
MGMT. &
ENV. CONSV

The Committee then considered the Transportation capital budget.

TRANSPOR-
TATION

(Rep. Haugen entered the meeting.)

Marine Transportation - listing of re-prioritized projects. Mr. Hogan distributed copies of a letter from the Director of the Division of Marine Transportation which consisted of a re-ranking of priorities for the division's capital budget. (See Transportation budget file for a copy of the letter.) The total of the projects (\$1,244,000) remained the same as the Governor's recommendation.

Replacing car decks, Malaspina, Taku, and Matanuska. The Committee accepted the Governor's recommendation of \$500,000.

Internal Saltwater Systems, including Sanitary Lines. The Committee allowed the \$100,000 figure (Governor's figure)

Dishwashers - Matanuska and Taku. The Committee accepted the Governor's \$50,000 figure.

Engine Room Soundproofing - Six Vessels. The Committee accepted the Governor's recommendation of \$140,000 but added the following intent: The department is requested to ensure that soundproofing materials installed on the various ships are constructed of fireproof materials and that the resulting structures meet all Coast Guard and Bureau of Ships safety/fire requirements.

Intent

Stabilizer Installation/Cafeteria Conversion, Tustumena. The Committee discussed the necessity of stabilizers being installed on the Tustumena and felt this was a high priority and should be done during FY 76. The original recommendation made by the Governor and requested by the Division of Marine Transportation had been \$100,000 for Cafeteria Conversion for the Tustumena and the Bartlett. The Committee allowed \$100,000 for stabilizers and cafeteria conversion for the Tustumena only, and inserted the following intent: It is the intent of the Legislature that stabilizers be fully installed on the Tustumena and that any remaining funds be used for cafeteria conversion.

Intent

(Rep. Duncan entered the meeting.)

Base Radio Station - Juneau. The Committee accepted the Governor's recommendation of \$30,000.

Terminal Expansion - Auke Bay. The Committee accepted the Governor's recommendation of \$200,000.

Baggage Tractors - Southeast Vessels. The Committee accepted the Governor's recommendation of \$24,000.

Dock Fender Systems, Piling and Surface Repairs - Haines. The Committee accepted the Governor's recommendation of \$100,000.

Having to convene at 10:00 a.m. in full session, the Committee recessed at 9:55 a.m.

Recess

HOUSE FINANCE COMMITTEE

May 9, 1975

8:05 p.m.

All members were present.

Present

Representative Malone, Chairman, called the meeting to order. The Committee considered the remainder of the Transportation capital budget at this time.

TRANSPORTATION

(Department of Highways) Maintenance Equipment - Statewide. The Committee accepted the Governor's recommendation of \$634,000.

Maintenance Station - Bethel. The Committee reduced the Governor's recommendation of \$350,000 to \$250,000 and inserted the following intent: The department is requested to examine the feasibility of combining the Bethel Maintenance Station and the Bethel Airport Fire Station (to be constructed from funds authorized in Chapter 118, SLA 1974) in one building.

Intent

Maintenance Station - Wrangell. The Committee reduced the Governor's recommendation of \$150,000 to "-0-".

Roof Insulation - Various Locations. The Committee accepted the Governor's recommendation of \$40,000.

Overhead Crane - Valdez. The Committee accepted the Governor's recommendation of \$10,000.

Power Transformer - Anchorage. The Committee accepted the Governor's recommendation of \$20,000.

Storage Building - Soldotna. The Committee reduced the Governor's recommendation of \$45,000 to "-0-".

Storage Building - Palmer. The Committee reduced the Governor's recommendation of \$45,000 to "-0-".

Storage Building - Anchorage. The Committee reduced the Governor's recommendation of \$70,000 to "-0-".

Sand Storage Building - Fairbanks. The Committee reduced the Governor's recommendation of \$70,000 to "-0-".

Security Fencing - Various Locations. The Committee reduced the Governor's recommendation of \$100,000 to "-0-".

Maintenance Station Trailer Pads - Various Locations. The Committee reduced the Governor's recommendation of \$50,000 to "-0-".

Aviation capital projects. Representative Malone stated that the Committee should defer action on all these projects connected with revenue bonds (unless the projects can be identified as those for which bond authorizations have been approved) until hearings have been held on SENATE BILL 311 (An Act relating to Alaska International Airports Revenue Bonds, Series E). The Committee decided to take the projects related to the Airport Revolving Fund out of the budget and include them in another appropriations bill or during the Free Conference Committee on the budget.

Representative Buchholdt requested that the Committee consider the possibility of a central check-in point for carry-on baggage examination and passenger screening at the Anchorage International Airport when other Aviation projects are considered.

Representative Buchholdt informed the Committee that she had received the following requests:

\$35,000 for a crosswind runway at Kwethluk
\$20,000 for runway reconstruction at Kiana

Representative Gruening moved and asked unanimous consent that the two projects be approved; no objection, so ordered.

Representative Buchholdt presented the Committee with the following proposed projects:

\$1,500,000 for an airport at Nuiqsut (deferred 1 year)
\$4,800,000 for an airport at Point Hope (deferred 1 year)

Representative Itta told the Committee that she had originally recommended that the Nuiqsut airport request be reduced to \$300,000, but the Division of Aviation had disagreed with the reduction. Mr. Hogan stated that the Division of Aviation felt that nothing could be done with such a small amount of money; there were problems regarding land-fill. Representative Itta said the Deputy Clerk of the North Slope Borough had arrived at a figure of \$500,000 for the airport. She said that the borough might be planning to provide some funds for the airport. Representative Itta added that she was quite concerned for those people living at Nuiqsut who were prevented from obtaining jobs on the pipeline because planes will not land at Nuiqsut.

Representative Malone suggested that construction for the Nuiqsut and Point Hope airports be deferred for one year. It was the concensus of the Committee to follow Representative Malone's suggestion.

Village Safe Water Projects. Representative Guy moved that the Committee increase the Village Safe Water Facilities appropriation to \$2,000,000. Representative Malone informed Mr. Guy of the intent to appropriate the Committee's original figure of \$1,000,000 to the Office of the Governor in order

NATURAL
RESOURCE
MGMT. &
ENV. CON

that the project plans and funds would be channeled through the revised program process with approval by the Budget & Audit Committee before being transmitted to the Department of Environmental Conservation. Representative Guy withdrew his motion.

The Committee considered the Development capital budget at this time.

DEVELOPMENT

Plant Materials Center, Laboratory, Office, Palmer. Representative Cowper moved to reduce the Governor's recommendation of \$140,000 to "-0-". The question was called for, and the motion carried 8 to 1, Representative Duncan dissenting.

Plant Materials Center, Dump Truck, Palmer. The Committee reduced the Governor's recommendation of \$17,000 to "-0-".

Plant Materials Center, Water Well Drilling, Palmer. The Committee accepted the Governor's recommendation of \$3,000.

Policy Development & Planning, Tourism Impact Study. The Committee reduced the Governor's recommendation of \$175,000 to "-0-". (Representatives Cowper and Gruening dissenting.)

State Fairs.

Alaska State Fair, Inc., Palmer: Representative Haugen moved and asked unanimous consent that the Committee allow \$60,000 for the Palmer fair for upgrading sewer and restroom facilities; no objection, so ordered.

Tanana Valley Fair Association Fairbanks: The Committee allowed \$42,500 for the installation and upgrading of sanitary facilities.

Ninilchik Fair Association, Ninilchik: Representative Itta moved to accept the Governor's recommendation of "-0-"; the motion carried, 8 to 1, Representative Malone dissenting.

Kodiak Jaycee Rodeo & State Fair: The Committee accepted the Governor's recommendation of "-0-".

Southeast Alaska State Fair, Inc., Haines: The Committee allowed \$30,000 for sewer and sanitation facilities.

Anchorage Fur Rendezvous: The Committee accepted the Governor's recommendation of "-0-", Representatives Gruening, Buchholdt, and Cowper dissenting.

Yukon Kuskoquim State Fair, Bethel: The Committee accepted the Governor's recommendation of "-0-".

Waters and Harbors

Nome Harbor Dredging. The Committee accepted the Governor's recommendation of \$2,500.

Emergency Repairs - Statewide. The Committee accepted the Governor's recommendation of \$50,000.

Harbor Facilities - Valdez. Representative Gruening moved and asked unanimous consent that the Committee allow \$100,000 for the Valdez Harbor Facility with the following intent: Funds from the \$100,000 appropriation are to be used only for the existing facility; any amount not used for maintenance of the existing facility will lapse into the State General Fund on July 1, 1976. There being no objection to Representative Gruening's motion, it was so ordered.

Intent

Harbor Facilities - Sitka. Representative Itta moved that the Committee reduce the Governor's recommendation of \$250,000 for the Sitka Harbor Facilities to "-0-", and to reduce to "-0-" Administration, Planning and Engineering (from \$410,500). Mr. Hogan explained that the \$410,500 for Administration, Planning and Engineering was actually the Waters & Harbors operating budget for all Waters and Harbor Projects. The question was called for, and the vote was as follows: (those in favor of reducing to -0- Sitka Harbor Facilities and Administration, Planning, and Engineering) Itta and Gruening; opposed were Malone, Naughton, Buchholdt, Cowper, Guy, Naughton, Haugen. And so, the motion failed.

Representative Buchholdt then moved to defer the Sitka Harbor Facilities for the time being; Representatives Haugen and Malone objected; Representative Buchholdt withdrew her motion.

The Committee accepted the \$250,000 Governor's recommendation for Sitka Harbor Facilities.

Administration, Planning and Engineering. (see motion above with Harbor Facilities - Sitka.) The Committee accepted the Governor's recommendation of \$410,500.

Representative Haugen suggested that the Director of Waters and Harbors be contacted to discuss the overhead cost.

Harbor Facilities - Ninilchik. The Committee accepted the Governor's recommendation of \$15,000.

Harbor Facilities - Baranof/Angoon. The Committee accepted the Governor's recommendation of \$150,000.

Harbor Facilities, Petersburg. The Committee accepted the Governor's recommendation of \$175,000.

Wrangell Boat Harbor repairs. Representative Haugen suggested that \$50,000 be inserted into the Waters and Harbors capital budget for Wrangell Boat Harbor repairs. Representative Naughton moved and asked unanimous consent for the approval of this amount; no objection, so ordered. (Wrangell Boat Harbor repairs took first priority in Waters and Harbors list of projects.)

Kodiak, Small Boat Harbor. Representative Naughton moved and asked unanimous consent that \$650,000 be appropriated for a new Small Boat Harbor at Kodiak; no objection, so ordered.

Remote Village Radio. Representative Itta moved that the Committee accept the Governor's recommendation of \$25,000; there was no objection. Representative Gruening requested that legislative intent for Remote Village Radio be prepared, to read as follows: "The \$25,000 appropriation shall include ungrading of radios at Titilla." There was no objection voiced by the Committee members over this intent.

Intent

The Committee considered the General Government capital budget.

GENERAL
GOVERNMENT

Fire Protection System, Juneau State Office Building. The Committee accepted the Governor's recommendation of \$40,000.

Repair or Replacement of Boilers - Statewide. The Committee accepted the Governor's recommendation of \$20,000.

Roof Renovations, Repairs - Statewide. The Committee accepted the Governor's recommendation of \$100,000.

New State Office Building Partitions - Juneau. The Committee accepted the Governor's recommendation of \$25,000.

Painting State Facilities - Statewide. The Committee accepted the Governor's recommendation of \$60,000. It was suggested that for any painting of buildings in the future, that murals be considered.

Fish and Game Building Sprinklers, Painting - Juneau. The Committee accepted the Governor's recommendation of \$100,000 but added the following intent: "The department is requested to consider the installation of a Halon 1301 fire protection system similar to that envisioned in the computer room of the new State Office Building." (Gruening objected to amount.)

Intent

Capitol Building Remodeling - Juneau. The Committee accepted the Governor's recommendation of \$200,000.

Governor's Mansion Exterior Paint - Juneau. The Committee accepted the Governor's recommendation of \$17,000.

Community Building Remodeling - Juneau. The Committee accepted the Governor's recommendation of \$26,000.

Records Center Paving - Juneau. The Committee accepted the Governor's recommendation of \$28,000.

Griffin Building Renovation - Kodiak. The Committee accepted the Governor's recommendation of \$20,000.

Division of Buildings Renovation - Juneau. The Committee accepted the Governor's recommendation of \$35,000.

Control Refinements - Juneau. The Committee accepted the Governor's recommendation of \$32,300.

Pioneers Home Fire Alarm System - Sitka. The Committee accepted the Governor's recommendation of \$30,000.

Highways Working Capital Fund, Equipment Replacement. The Committee accepted \$7,300,000 (the Governor's recommendation). Representative Malone stated that he had already planned to have intent written so that agencies would show the cost of equipment leased from the Highways Working Capital Fund in their budgets; this will provide the Legislature with a more adequate breakdown of costs, and a proper review of agencies' equipment.

Communications Equipment - Statewide. The Committee accepted the Governor's recommendation of \$1,726,500 and added the following intent: "The department is requested to review the proposed equipment purchases and eliminate the duplication of other state systems and equipment. Funds are included within this appropriation to purchase and install communications equipment at Tenakee."

Intent

The Committee then considered the Education capital budget following a brief recess at 11:00 p.m.

Recess

After Recess
11:05 p.m.

The committee began examination of the Education capital budget. CAPITAL
BUDGET
The first agency was SOS.

STATE OPERATED SCHOOLS

EDUCATION

Automotive Equipment and Mobile Homes were requested for various districts. Mr. Gruening said that if decentralization takes place there was question as to the need for them. He felt that determination of these needs would be more appropriately accomplished by the districts themselves. Ms. Itta pointed out that it may well be a couple years for some of these districts before they can assess just what their need is. Mr. Gruening recommended that the \$70,000 request be deferred, and Ms. Itta objected. She said that she felt their needs should be taken care of. She requested elaboration on the request. Mr. Guthrie read from the capital budget blue book. The motor vehicles being requested are trucks, and are used for administrative purposes, travel, maintenance, and driver education. Ms. Itta felt that since they did not include mention of students in their justification she was willing to withdraw her objection to the recommendation to delete the motor vehicles. Mr. Malone asked about the trailers. After discussion on location of the trailers and the costs in the different areas, Mr. Gruening recommended that one trailer be provided for Cold Bay, one for Anderson Village, one for Nulato. Ms. Itta said that there is also need for a trailer in Kivalena. They had a fire there, the school burned down, and now they need space for their teachers. Committee decision was to fund these four areas for on trailer apiece at a cost of \$20,000 per trailer plus freight allowance of \$2,000 at Anderson Village and \$5,000 for the other three. SOS

Final recommendation was broken down as follows:

Kivalina, mobile home	\$25,000	
Cold Bay, mobile home	25,000	
Anderson Village, mobile home	22,000	
Nulato, mobile home	<u>25,000</u>	
	\$97,000	<u>\$97,000</u>

No objection, figure was adopted.

Playground fencing at Copper Center. There was an \$8,000 Gov.'s Allowance for this. Mr. Malone said that he is familiar with the situation here, and he thinks it is important; they have traffic from the Pipeline and they have a real hazardous situation. Mr. Gruening said that the Governor knocked out \$2,000 from the request which originally included playground improvement and suggested that they could look into GO bonding for that. Mr. Malone moved the figure of \$8,000. No objection, so ordered. \$ 8,000

DEPARTMENT OF EDUCATION

Roof Replacement - Nome-Beltz Dormitory. Backup for the request included language indicating that approval of the amount requested would be an offset on the financial assistance grants in the Nome district. There was some confusion on this matter, which was not really resolved. Mr. Gruening moved the requested figure of DOE

\$238,200. No objection, so ordered.

\$238,200

STATE OPERATED SCHOOLS

The subject of Nondalton was brought up. The school burned down and they moved into modular facilities. There have been heating problems and apparently a lot of money has been wasted. However, there is no request.

SOS

Sand Point Aquaculture Project. Mr. Naughton brought up this item which had been discussed earlier. At the Sand Point High School they have an aquaculture program for \$58,000, but they cannot use the money for construction. They need \$10,000 to construct the physical facility for the hatchery and rearing system. There is more at stake here than just not getting the hatchery. The state will lose the Johnson O'Malley funds in the next go-around. The plan includes harvesting fish at some point and the school would get the money. It is really a very innovative idea for funding rural schools, particularly in coastal areas. Mr. Gruening moved for adoption of the \$10,000 figure. No objection, so ordered.

\$10,000

Perryville School Generators. Mr. Naughton also brought up the subject of generators for the Perryville school in the amount of \$61,200. This is for 2 fifty kilowatt generators. Mr. Gruening had some question on the amount of power and commented that he thought it must be for the whole town. Mr. Malone said that he assumed that was correct. There was discussion on utilization of the power from the schools by the communities. The figure was moved and without objection was adopted.

\$61,200

Mr. Haugen mentioned that there is some problem with Metlakatla's school and the fire marshall perhaps forcing the issue with reference to their insurance. He had no request, however.

Remodeling of Anderson Gymnasium. Mr. Malone brought up the subject of the Anderson gymnasium remodeling. This is provided for in House Bill 89. The remodeling is to include extension of the floor space, bleachers, score board and clock. The figure is \$60,000. Mr. Gruening moved the figure. No objection, so ordered.

\$60,000

UNIVERSITY OF ALASKA

U of A

Going on to University of Alaska capital projects, committee deleted two of the projects allowed by the Governor.

Museum Equipment, Fairbanks Ø
Kodiak Community College Parking Ø

Mr. Gruening recommended acceptance of Governor's figures for the other items included in the U of A capital budget:

<u>Library furnishing, Anchorage</u>	\$50.0	<u>\$50,000</u>
<u>Library Books, Instructional Materials,</u>		
<u>Equipment, Auke Lake</u>	\$25.0	<u>\$25,000</u>
<u>Vocational Equipment, Auke Lake</u>	150.0	<u>\$150,000</u>
<u>Building upgrading & repairs,</u>		
<u>Ketchikan Community College</u>	15.0	<u>\$15,000</u>

Sewer connections and assessments,
Auke Lake campus

\$35.0

\$35,000

No objection to the figures, so ordered.

Irving Building and Resources Building. Mr. Cowper said that he had another item. Up on the ridge near the Geophysical Institute in Fairbanks are the Irving and Resources Buildings. They were built out of 1974 bond funds. They are empty because they have no interior work done. They are basically shells. The University of Alaska has \$4 million worth of grant money from NOAA. NOAA contracts cannot be carried out unless the lab space is there. If it is not there, the University of Alaska will lose the contract. They will go to the University of Washington and Scripps, and the state will lose not only the money but the benefit of the research. This was cut out by the Governor; it is in the priority list of add-ons. He said that they have \$300,000 from the federal government and \$101,000 left over in their previous bond authorization. Subtracted from the total they will need this leaves \$1,024,000. Mr. Cowper said that he asked Mr. Holden what it would take to get them into shape enough such that the Institute of Marine Science and the other agencies could move in; he said \$900,000. Right now the buildings are useless. The reason for the overrun in the first place was simply that the cost of labor went up so high after Pipeline construction began. He recognized that this was a large sum of money, but felt that it was necessary. Mr. Malone asked what the buildings cost to build. Mr. Cowper said that he thought one was \$4 million and the other \$8 million. Mr. Naughton asked if this is where research is being done in preparation for OCS and Mr. Cowper said yes. Mr. Naughton felt it would be a mistake to lose that. Mr. Naughton said that he would like there to be LEGISLATIVE INTENT that this figure be considered the state's contribution to this research and that reports resulting from this research be submitted to the legislature. There were no objections to the intent language. The \$900,000 figure was moved and there being no objection, it was so ordered.

LEG.
INTENT

\$900,000

Kuskokwim Community College. Committee adopted the figure of \$185,000 for Instructional Television, per decision made during a previous meeting (5/8/75).

\$185,000

Items under Community Services were considered.

DEPARTMENT OF EDUCATION

Juneau Museum. Mr. Duncan mentioned that there are some real problems with water seepage on one wall of the Juneau Museum, and he would like to take corrective action. No motion was made.

Media Center Films and Equipment. Mr. Malone asked if this is PERCY, and Mr. Guthrie said yes. There has been a problem getting materials distributed. However, he suggested that with the re-organization of the districts through decentralization, perhaps the resources and equipment will provide more service. It was also mentioned the perhaps they state library resources would be

available. Subcommittee recommendation was to delete. No objection, so ordered.

Rare Alaskana - Juneau. Subcommittee recommendation had been to delete this item. However, Mr. Duncan said that he felt it was important and should be left in. The museum has lost some important works for lack of monies, and the amount per the Governor's Allowance is only \$10,000. He moved that that figure be accepted. No objection, so ordered.

\$10,000

Community Library Construction - Statewide. These are federal monies. Committee moved the \$110.0 figure, and it was adopted.

\$110,000

Acquisition of Museum Objects - Juneau. Mr. Gruening moved the figure of \$25.0. No objection, so ordered.

\$25,000

Kodiak Museum - Fire Suppression System. Mr. Naughton said that they need a fire suppression system in Kodiak at the Museum. The figure they were quoted in February for a Halon 1301 system was \$15,595. To be sure of sufficient monies in the event that the costs have increased since then, he requested a figure of \$17,000. It was so moved and, without objection, adopted.

\$17,000

FM Radio Station - Anchorage. Committee adopted the figure of \$40,000 for construction of an educational/public FM radio facility in the Anchorage area.

\$40,000

Fire Protection Systems - Various Locations. Committee adopted the figure of \$40.0 for purchase and installation of Halon Gas fire protection systems in studios and transmitter facilities at Bethel, Kotzebue, and Dillingham.

\$40,000

Television Time Base Corrector - Bethel. Committee adopted the \$15.0 figure for purchase and installation of equipment to permit station KYUK-TV to broadcast with approved-quality material from lesser video tape formats.

\$15.0

Mr. Gruening said that the Rules Chairman had requested additional monies for educational television translators in six locations. He had indicated to the subcommittee that delays in this would be costly. However, based on testimony the committee had heard previously during hearings on SB 149am, Mr. Gruening questioned whether the costs would, in fact, increase. He thought that this could be deferred. He said that he would like to see something go in next year, though.

The committee moved into examination of the Health and Social Services capital budget.

HEALTH &
SOCIAL SVCS

DEPARTMENT OF EDUCATION

DOE

Fence and Storage Shed - Seward. The Governor allowed \$60.0 for a fence and storage shed at the Seward Skill Center. The committee disallowed this project, Mr. Haugen objecting.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DHSS

Office Wall Construction - Fairbanks. The Governor allowed \$22.9 for construction of walls in the new State Office Building in Fairbanks. Ms. Itta's original recommendation was to allow this amount since the narrative states that the walls are required in the eligibility determination unit to provide privacy. Mr. Barker noted, however, that they are not required by federal regulations, which was the implication of the statement. Ms. Itta withdrew her original recommendation and moved that the project be deleted. No objection, so ordered.

Modular Living Quarters- Glennallen. Governor's Allowance was \$30.0. Committee reduced to 0.

Fire/Smoke Partitions and Doors - Valdez. Ms. Itta said that this was required to meet federal Medicaid requirements. Amount of \$100.0 was adopted.

\$100.0

Fire Sprinkler System - Anchorage. Ms. Itta thought that the \$230.5 figure for this was a little high. Mr. Malone noted that this is required by the fire marshal. He read a letter from the Commissioner of Public Works, however, which said that this is not necessary. Mr. Parr checked out the building. Ms. Itta felt that it was needed. She moved adoption of the figure. Mr. Haugen objected. He did not feel that the city had the right to make these determinations about state buildings. On vote, motion carried.

\$230.5

Kitchen, Laundry Equipment- Valdez. Subcommittee recommendation was to delete this project. Mr. Naughton objected. He said that they are dealing here (Harborbiew) who do not have control over their body processes and the laundry really is a problem. Mr. Duncan also expressed objection. Ms. Itta withdrew her recommendation on the basis of Mr. Naughton's statements, and recommended the \$23.0 figure. No objection, so ordered.

\$23.0

The Administration of Justice capital projects were discussed next. Most of the projects were discussed and figures finalized in a previous meeting (5/7/75). Mr. Malone recapped those decisions for the committee.

ADMIN OF JUSTICE

COURT SYSTEM

Old Anchorage Court Building Remodeling

Court

New Anchorage Court Building, Improvements

\$110,800

Electronic Recording Equipment

\$ 26,600

Juneau Court Building Plaza

\$ 47,600

Valdez Court Building Site Work

\$130,000

Barrow Court Building -- MOVED TO OPERATING BUDGET

\$ 96,000

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Anchorage State Jail Smoke Detection System

DHSS

Security Fence, Juneau State Jail

\$ 25,600

COURT SYSTEM

\$ 39,700

Bethel Court Building. Mr. Malone noted that the committee had earlier discussed the possibility of dealing with this project in the same manner in which they had dealt with the Barrow

Court Building which is provide for a lease-back arrangement, construction of the facility to be done by a private contractor. There was legislative intent that the lease-back plans and lease be presented to the Budget and Audit Committee for their approval.

LEG INTEN

Ms. Itta asked why that had been done that way, and Mr. Malone said that that was the recommendation of the Court System. Of the Bethel facility, Mr. Malone said that when he first discussed this with the Administrator of Courts, he said that he would find out if there was interest in this and what the figure would be. The next time he talked with him, he had no firm figures but said that he thought an amount equivalent to the Barrow Building would be sufficient. Since that time Mr. Guy has looked into it, and Mr. Malone requested his comments. Mr. Guy said that he talked with the Anchorage central office of the regional corporation and they said that they would be willing to construct a building according to Court System specifications. However, there is a minor problem. The corporation would like to amortize the structure over a 10 year period using the figures which were quoted during the previous discussion; that would mean about \$93 to \$95,000 every year. Mr. Malone suggested then an appropriation of \$100,000. There was question raised on why the appropriation would be greater for Bethel than Barrow if the square footage is the same. Mr. Malone said that the square footage would not necessarily be the same. Mr. Malone noted that adoption of this figure would mean deletion of the figure for Bethel Storage Unit. \$100,000 figure was moved and adopted without objection. There is LEGISLATIVE INTENT with this, the same as for the Barrow lease-back arrangement and the \$100,000 was put in the operating budget.

LEG INTEN \$100,000

Back to consideration of the capital budget, Mr. Malone reminded the committee about monies for the Fairbanks Office Building discussed in the meeting of May 5.

CAPITAL

Fairbanks Office Building. The request was for \$1,556,000 to take care of remodeling for Court System use. Subcommittee recommendation was \$500,000 which would allow them to put in the necessary facilities for the district court judge. The Court System has \$700,000. Figure was moved and adopted, without objection.

\$700,00

That concluded the capital budget closeout, and the committee resumed work on the operating budget, primarily "tying up the loose ends".

OPERATING BUDGET

OPERATN BUDGET GENERAL GOVT

Going into the General Government category, the first open BRU was in the Office of the Governor.

OFFICE OF THE GOVERNOR. Planning and Research . They are requesting a number of new positions in this BRU and have a revised request of 5 more positions. Some positions have been added by revised program: Coastal Zone Management Coordinator,

OFFICE C GOVERNOR Planning & Researc

federally funded; Community Service Coordinator, federally funded; three research analysts, federally funded; Publications Specialist II, general fund; and a clerk typist, general fund. Other requests included an Administrative Officer II; three Public Participation Directors to coordinate the new Public Forum; a Sociologist; Economist. Mr. Duncan, subcommittee chairman for General Government, said that he recommended funding of only 1 Public Participation Director; he felt that that was sufficient for the first year of the program. Since the purpose of these positions is to help in the coordination of community input for the Public Forum, question was raised as to whether or not this reduction in the program wouldn't hurt the success of the program. Mr. Duncan did not feel they were all three necessary. He felt that the one position in Juneau could coordinate for the whole state. Mr. Duncan further recommended deletion of the request for the deputy director, program specialist, economic analyst, clerk typist, and principal economist. Returning to the subject of the Public Participation Directors, Mr. Malone said that he felt they were more public relations positions for the agency. As for the Clearinghouse Coordinator, he had some doubts about that position, too. Mr. Duncan said that he looked into that. The position is an Assistant Clearinghouse Coordinator. This person keeps track of federal funds and grants and makes sure that the state is getting its share of grant monies and that the communities are getting their share. The workload is great and the indication is that it is too much for one person to handle and that the state may be losing federal monies because of it. Mr. Malone, commenting that he does believe in planning and research, stated that he nonetheless gets the feeling that the agency is trying to replace the legislature. He also objected to Mr. Duncan's recommended deletion of the Principal Economist position. Mr. Duncan said that he deleted that position because the Department of Economic Development has an economist. Mr. Malone moved to add the Principal Economist back in. He further moved to delete the Public Participation Director which Mr. Duncan had recommended. Mr. Duncan objected. He was willing to go along with the Principal Economist, but he felt that the Public Participation Director was important. Mr. Malone said that the function of this position is almost the same as that of the Community Services Coordinator which was funded out of federal funds. Reading the job descriptions, Mr. Duncan conceded that Mr. Malone was right and the committee elected to delete the general fund Public Participation Director and retain the federally funded Community Service Coordinator. Mr. Malone moved to delete the recommended Assistant Clearinghouse Coordinator. Mr. Duncan felt that the state would lose more money that way. The point was made that there are such positions in other departments. Mr. Hogan, however, stated that the function of the clearinghouse coordinator is partly a requirement of the federal laws and partly a requirement of "gubernatorial sanity". Many agencies require that there be a central place for paperwork to flow through. States are establishing clearinghouse coordinators which are normally in the Governor's Office since some grant programs require that. He stated that the legislature does receive a copy of everything coming in and that he makes a point of sending information on specific subjects to the legislators he knows are most interested. Mr. Duncan repeated that he thinks there is a

need for this position. Mr. Haugen asked if in order to receive federal funds it is going to be necessary to have this person, and Mr. Hogan said that it is appearing more and more that way. Position was accepted.

Final new positions accepted for Planning and Research and positions requested but denied are as follows:

ACCEPTED POSITIONS

- 1 Coastal Zone Coordinator (by RP)
- 1 Administrative Officer II
- 1 Community Service Coordinator (by RP)
- 1 Publications Specialist II (by RP)
- 3 Research Analysts (3 allowed by RP; additional 3 denied)
- 1 Assistant Clearinghouse Coordinator
- 2 Clerk Typist (one allowed by RP)
- 1 Accounting Clerk III
- 1 Principal Economist

DENIED POSITIONS

- 1 Deputy Director
- 3 Research Analysts (3 were allowed)
- 1 Program Specialist
- 1 Economic Analyst
- 1 Clerk Typist
- 3 Public Participation Directors
- 1 Sociologist

Under Contractual Services, deletion of \$70,000 was recommended and accepted, \$50,000 being a general cut and \$20,000 for the Honorarium.

Mr. Duncan suggested LEGISLATIVE INTENT that the Division report to the legislature early in the 1976 session on the Public Forum, OCS, and other program activities. LEGIS.
INTENT

DEPARTMENT OF ADMINISTRATION
Natural Gas Study. Mr. Hogan said that the money appropriated last year was for a study. The study portion turned out to be a small portion. What they really did with the money was hire a Washington law firm to represent the state before the Federal Power Commission on the decision of what route will be accepted. The Governor has recently requested another \$100,000 for this current year exclusively to continue the legal services. The Washington firm is Covington and Burling. Mr. Cowper noted that they also are representing oil companies lobbying against the reserve tax. (Their legal services to the state are for hearings before the Federal Power Commission.) He said that Mr. Griswald said one of these people called him up in Washington and quizzed him on what he said. There was discussion on changing firms. It was suggested that perhaps an Alaska firm should be hired; however, it was pointed out that this work is very technical and that this is a case where it is really necessary to hire experts outside. Very little money has been spent so far, Mr. Cowper said, so it would be possible to "switch horses". The \$100,000 figure was accepted with LEGISLATIVE INTENT that any firm or individual with whom the state contracts in this matter of the natural gas route is to be free of any conflict of interest in its representation of DEPT OF
ADMIN
Natural
Gas Study

LEG.
INTENT

the state. There was further LEGISLATIVE INTENT that the information that the administration develops in this program is to be accessible to the Special Gas Pipeline Impact Committee. LEGIS. INTENT

DEPT. OF PUBLIC SAFETY.

Building Security. Governor's Allowance was for 4 guards and 2 dispatchers. Mr. Duncan recommended the same. Messrs. Malone and Cowper objected. Mr. Malone said that they have information gathered which indicates the actual loss incurred. He recognized that there is a new building opening up and that there is more active utilization of this building. He recommended that there be a \$90,000 item in contractual services for purchase of private security services (Pinkerton guards). His reason for objecting to Mr. Duncan's recommendation was that the cost of losses due to theft and vandalism in no way compares to the cost that he was proposing. It is, in fact, only a third of what Mr. Malone was recommending. He mentioned that there is a bill, SB 22, which gets into this security matter even more, with closed circuit television, and other equipment. However, he did not feel this was warranted. He felt that a minimum amount of security was necessary but he didn't think this particular program was necessarily desirable. The \$90,000 addition in contractual services was accepted.

GENERAL GOVERNMENT. DEPARTMENT OF ADMINISTRATION

Payroll Study. Mr. Duncan said that they have requested an additional \$200,000 for the payroll study and indicate they will need another amount next year. They have contracted with Arthur Young, and the question the legislature is facing is whether to give them this extra money or now. Mr. Warwick sees no way out. He also says it probably wasn't the best way to go. Mr. Duncan noted that once the contracts are completed, the state has no obligation. What the state is doing is buying a payroll package. The alternative is to cut off where they are and take the chance of "blowing up". Another alternative is to give them this \$200,000 with the admonition that that is all the money they will get. He said that he asked Mr. Warwick if the state couldn't do this modification themselves, and Mr. Warwick replied that the state hadn't the capability, and in order to get the capability the state would have to pay considerably higher than they do. Mr. Rhode said that his understanding is that they are still in phase one of the study. Mr. Duncan said yes, but they are quickly entering into phase 2. Mr. Rhode said that he understands total cost may be close to \$900,000, and Mr. Duncan said yes. However, he did not think just stopping was much of an alternative. Then the state is risking a blowout of the system and all the problems that would entail, including penalty payments. After considerable discussion, Mr. Duncan said that his recommendation is to go ahead and appropriate this \$200,000. He said that he thought it would be advisable if committee members, perhaps himself since he lives in Juneau, were to be notified of any meetings on this and could attend. Mr. Malone appointed Messrs. Duncan and Haugen to the subcommittee for this purpose. The \$200,000 figure was adopted.

DEPT. OF
PUBLIC
SAFETY

Buildin
Securit

GEN.
GOVT
ADMIN.
Payroll
Study

5/9/75

OFFICE OF THE GOVERNOR

Disaster Contingency Funds. Committee had discussed previously the need for disaster relief monies. Mr. Malone said that apparently \$400,000 is a trigger for federal monies in case of disaster. He recommended \$500,000 if case of a disaster to take care of matters before the legislature can be called into action. Mr. Hogan recommended putting this in the Governor's Contingency Fund, with specification that this is for the disaster relief. This would make the Governor's Contingency \$750,000. It was so moved and adopted without objection. The amount for Governor's Contingency is \$750,000 with LEGISLATIVE INTENT that \$500,000 is for a disaster contingency.

OFFICE OF GOVERNOR
Contingenc
Fund

LEGIS.
INTENT

DEVELOPMENT. DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS.

Mr. Duncan said that he had talked with the CRA Chairman who felt that there should be one additional position - a local government specialist IV in Anchorage to take care of some of the problems and he agreed to go along with the request. \$30.1 is the total position. \$22.9 is the salary. He said that this was needed in Fairbanks more than Anchorage, according to the Department, but they couldn't locate the person in Fairbanks so will have to locate in Anchorage. He said that Mr. Cotten said he talked quite extensively with them and is really sure the position is needed. Mr. Duncan recommended putting the position back in. Mr. Gruening objected, not being quite clear as to why the position is needed. Mr. Duncan said that they have requested 4 such positions; he had cut all of them. Mr. Gruening asked if the Governor allowed them, and Mr. Duncan said he allowed 2 for Anchorage. He deleted the Fairbanks positions because they could not place them. The recommendation was adopted, at a total position cost of \$30.1.

DEVELOPME

Local Govt
Assistance

TRANSPORTATION. DEPARTMENT OF HIGHWAYS. Mr. Malone brought up the contingency reserve for Highways. This had been taken out by earlier committee action. Since that time he said that he has been thinking about what has happened to some of the highways in terms of emergency maintenance needs and he decided that it would be a good idea to put some of the money back in. The request was \$886,000, and he recommended restoring half of that, placing it in Code 800 of the Contingency Reserves BRU, with a note that a general reduction was applied to the Commissioner's Contingency Reserves.

TRANSPORT

DEPT OF
HIGHWAYS

Conting.
Fund

Mr. Haugen said that he would like the Department of Highways to provide a report on cost overruns on highway construction projects in the last three or four years.

NRMEC. DEPARTMENT OF NATURAL RESOURCES. There was a request to adde \$104.8 in accordance with Alaska Statutes 41.20.355 which was passed by the last legislature but was not funded. This is providing for grants for foot paths, trails, bike trails. This would go in Park Development. Mr. Malone recommended adoption of this amount, along with a note specifying what the amount is for. The figure \$104,800 was adopted.

NRMEC

NATURAL
RESOURCE
Park
Develop-
ment

FISH AND GAME, UNIVERSITY OF ALASKA. There is a \$125,000 request from the Majority Leader for a seaweed resource study, Mr. Malone said. He said that this is provided for also in HB 69, in the same amount. However, he noted that no one in Southeast seems to really want the study, and so his recommendation was that it be transferred to the University of Alaska, the amount reduced to \$50,000, for the purpose of a seaweed study in Prince William Sound. He said that this will remove it from the regulatory body, remove the political ramifications and will focus on the commercial and other potentials of seaweed. He so moved. Ms. Itta objected. Mr. Cowper mentioned that there is a very competent researcher in Cordova who will probably get the job. Mr. Malone also recommended LEGISLATIVE INTENT that they report back to the legislature on their progress next session. The motion carried, in the amount of \$50,000.

FISH &
GAME
U OF A

LEG.
INTENT

GENERAL GOVERNMENT. LEGISLATURE. The budget for the Legislature was discussed. First was Budget and Audit Committee: Committee, Legislative Finance, and Legislative Audit. Figures for Audit are \$850.1; for Finance, \$263.2. Mr. Malone asked if that includes \$25,000 for the implementation of an on-line system, and Mr. Hogan said no. Mr. Malone explained that \$25,000 is to do the programming and development of an on-line computer system to give immediate access to information for a number of purposes: (1) bill history system that they now have on off-line capacity; (2) budgetary information; (3) revenue information. It would include terminals. They come at \$250 a month. The thought was to get some kind of decision; the final determination could be put off until next year. The machinery across the street would not be ready, and there would be time to decide where the terminals should go in later December or January. Mr. Malone recommended the figure for Finance plus the \$25,000 for the implementation of the on-line electronic data processing. There are a lot of programs now; this step will provide before the end of next session immediate access to information. This will help a lot in making decisions. Mr. Hogan said that there is one other item. The legislature does hope to acquire the entire Capitol Building next year. There is often difficulty at the start of legislative sessions because the office space situation has not been adequately arranged in time. Suggestion was made that the money to equip the rooms for the Finance members be put in the Legislative Finance Division budget. Mr. Hogan guaranteed that if it is put there, the rooms will be ready when the session opens next January. Mr. Naughton moved that a figure of \$20,000 be added to the Finance budget in addition to the \$25,000 for implementation of the on-line system. No objection, so ordered. This makes the total for Legislative Finance \$308,200. Committee also moved and adopted the figure of \$850,100 for Legislative Audit. Figure for the Committee expenses was \$50,000. Mr. Hogan suggested that the committee consider earmarking \$10,000 of that - \$5,000 for each Finance Committee, as discretionary money. Mr. Naughton moved the figure of \$50,000 with LEGISLATIVE INTENT that \$10,000 of that amount be used as discretionary funds for the House and Senate Finance Chairmen (\$5,000 each). No objection, so ordered.

GEN.
GOVT.
LEGIS-
LATURE

Leg.
Finance

Leg.
Audit

Committee

LEG.
INTENT

5/9/75

Committee discussed the Legislative Council budget. Mr. Duncan moved to adopt the \$4,059.3 figure. Mr. Haugen objected. Mr. Malone moved to delete both of the reporting services. Mr. Gruening objected. On vote, motion carried, deleting \$(26.0). From Professional Fees and Services, Ms. Itta moved to delete the contract with McLean and Associates. Motion carried and the \$(40.0) was deleted. Mr. Malone commented that he thought LEAA monies could be gotten for the revision of the criminal code. There is \$100,000 provided for that. Mr. Gruening moved to delete (\$50.0) of that, leaving (\$50.0). No objection. Mrs. Haugen moved to delete the \$(25.0) in Code 800, Incidental expenses incurred during and after adjournment. Committee elected to do so, the feeling being that the request was not sufficiently justified.

Legislative
Council
(Affairs)

There was LEGISLATIVE INTENT that this appropriation is made to Legislative Council. Any changes in allocation of funds in the Legislative Council budget will be subject to approval of the Legislative Council.

LEG.
INTENT

EDUCATION. UNIVERSITY OF ALASKA. Committee went over proposed intent for the University of Alaska. In addition, they added LEGISLATIVE INTENT that the University of Alaska is directed to develop accurate and timely financial reporting system during FY 76 since the legislature is unable to determine the need for supplemental appropriation requests without this information.

EDUCATION:
U OF A

LEGISLA-
TIVE
INTENT

Meeting adjourned at 3:45 a.m. Saturday morning.

ADJOURNED

HOUSE FINANCE COMMITTEE
Thursday, May 1, 1975
7:35 p.m.

All members were present, with the exception of Mr. Gruening who arrived shortly after the meeting began. Also present were: from AMU, Reverend Wischmeier, John K. Overbey, Robert K. Dellenbach, Frederick R. Hood, and their legal counsel in Juneau, Norman C. Gorsuch; from the University of Alaska, Robert W. Hiatt, Don Dafoe, Brian J. Brundin; Representatives Swanson, Parker, Parr, Beirne, Ostrosky; Budget and Management Analyst Judy Crondahl; Sue Greene, Special Assistant, Governor's Office; Eric Ekvall, representing AFN, Inc; Clark King of the Commission on Postsecondary Education; William Wakeland, Appraiser; members of the staff and press. PRESENT
HB 441

Chairman Malone called the meeting to order at 7:35 p.m. He announced that the formal purpose of the meeting is consideration of HOUSE BILL 441 (\$1 million appropriation, University of Alaska). This is the bill to implement the Memorandum of Agreement between the Board of Regents of the University of Alaska and the Board of Trustees of the Alaska Methodist University. He said that this would be an informational meeting, a preliminary hearing. He anticipated holding at least one more hearing. Mr. Brundin had helped in the negotiations from the U of A side and was present to answer questions. Mr. Malone then introduced Reverend Wischmeier of Alaska Methodist University who in turn introduced the other AMU representatives.

Mr. Wischmeier read an opening statement on AMU's position on the proposed transfer. He emphasized that the decisions of the Board of Trustees of AMU have not been made easily. They did not wish to cease operation of the University, but they have found that they are unable financially to maintain the facility. However, they do not intend to totally withdraw from the higher education picture in Alaska. The church intends to continue to use its resources in Alaska, following through with its commitment to higher education in the state. Its intention is that the assets would remain for use in Alaska. He testified in favor of the whole package, as agreed upon by the two universities. He spoke of the human problem -- the faculty (about 50) and support staff (about 70) thrown out of work, the students plunged into confusion. 130 AMU students have already indicated their wish to transfer to the University of Alaska. 550 full time equivalent students should be available to the U of A. The number would drop if the proposal for the orderly transition is not done. Other students are uncertain and it is thought that part of their uncertainty is perhaps based on not knowing whether the transfer will be accomplished or not. He emphasized that this is not just buildings and land being discussed. He did not know what would be done if the agreement did not go through. The facilities would have to be "mothballed". He continued, stating that if AMU should cease to exist as an incorporation, all rights to properties shall vest in

5/1/75

the United Methodist Church. He said that he doesn't know what they would do, but the Board of Trustees does not want this to happen. The Board does not want this to go back to the national body. Presumably, the federal government could repossess the properties. It is felt by the Board of Trustees that this not in the best interest of Alaska. He explained the agreement, stating that it is good for the students, good for the faculty, and that AMU will go into a period of study. All of the present staff have resigned as of July 1, so those doing the study would be new, so that there would be a fresh perspective and sense of new direction. He read from the minutes of the last board meeting on what they plan to do in the future. Plans include: searching for a new president; continue small administrative office to carry out functions of organizational maintenance; thorough analysis of Alaska's educational needs; examination of future design of Alaska's education needs with an eye towards being manageable, innovative, complimentary rather than competitive with the state university, emphasizing but not limited to intercultural arts, and continuing accreditation during the planning period.

Mr. Wischmeier said that he appointed a committee called the Committee of Eleven not too long ago. The charge he has given them is what happens after the sale, if there is a sale. They are hard at work to shape the future out of any additional revenue from the sale. He said that he thinks a large segment in the future would have to do with native skills. They will analyze the educational needs of the state and then launch a program to be carried out. He stated that they will strive to continue liberal arts and cultural studies but will not overlap with what is provided by the state system.

Outlining the financial picture, Mr. Wischmeier said that with monies from the national church organization, they met their payroll as of yesterday, but they are now absolutely out of money. They are faced with more expenses to come and by the time they close their doors they will be in the hole \$957,200. In order not to interrupt their educational processes, the church came through with \$96,000 which enabled them to meet the payroll thus far. However, he did not believe they could expect more funds from that source. He said that they have hoped this matter would be taken care of by the time their May bills are due. They will have to have money to pay their contracts through August, as required by law.

Mr. Malone asked Mr. Brundin to testify, specifically inquiring as to how the University of Alaska arrived at the conclusion that they should purchase AMU.

Mr. Brundin began by speaking about the land. It has been said that the land is public land and ought not be purchased and sold, he said. He explained his understanding of the situation. This land is under a federal program which allows the federal land to be given to non-profit or governmental organizations for certain uses. This was done

5/1/75

under a public law which which said that the land given would be restricted in patent for 25 years and in later years restricted indefinitely. Some of AMU's land has a 25 year restriction and some indefinite. The law says if the use is changed, the land reverts to the federal government which can then release it again. It can be transferred between universities for the same uses with the approval of the Department of Interior. They have done this before when AMU transferred land to the " of A for \$1,900,000.

Mr. Brundin, speaking more pointedly to the subject of calculation of cost, noted that when the federal lands are transferred, there is a discount. For AMU, the land transferred in 1958 was at 68% discount; in 1962, 70% discount; and the latest land acquisition was transferred at a 50% discount. This would be the current rate of discount allowed for transfer of federal land to a university for use as educational property. Mr. Brundin said that there were two independent appraisals. The University of Alaska came up with a \$7 million figure on the value of the land (290 acres). This was done as if the land were not restricted. AMU's appraisal was done, taking into consideration the restriction, and that worked out to \$20,000 per acre. If the land were to revert to the federal government, there is no question that it would cost \$20,000 or more per acre, and the state would have to pay half of that. That is how the figure was finally struck.

On the cost of the buildings, Mr. Brundin said that before going in, \$20 million was the figure the university planning department figured they were worth. Both appraisals were in the ball park. Square footage costs of these buildings will run from \$23 to \$66 per square foot. This is based on the lowest appraisal on the buildings and that is the amount that appears in the contract. They could not build these buildings for costs of \$23 to \$66 per square foot. The other appraisal amounts have to do with underground utilities and in most cases the lower figure was what they finally came up with. A great many people have gone into this at great length and all of them left with a little dissatisfied. He said that he regarded it has a fair deal because no one was very happy about it.

He spoke about the prime rate factor. He said that it is 7%, and said that there are some who say that the state of Alaska ought not pay 7% for money. He said that that was their (the U of A's) position up until the final day. However, breaking down the figures they came to the conclusion that they will probably be paying less than is being paid for state bonds today. If AMU took the same amount of money and put it on the open market they would be getting more than 7%. He said that he thinks they are getting less money than they could get and the state will be paying a fair amount. As to the amount required to fund this arrangement, it was in their minds from the first that the state is in financial difficulties, and that is the reason for a relatively small downpayment. Most of that downpayment will be used for paying salaries and local vendors in Anchorage.

5/1/75

The money being appropriated is not going into someone's pocket for investment but is going to pay men and women living and working in Alaska, who are counting on that money, and the rest is due in 10 years. AMU has worked hard for years to maintain high quality private education in the state. The effort has been good and he said that he thinks it is Alaska's loss. He said that he feels the tuition equalization bill passed by the previous legislature spelled the "death knell" of AMU. The proposition now is that they will try to develop some new direction, to have a kind of flexibility and ability to have excellence in education. The growth rate of the Anchorage campus itself will find the University in need of more space in much less than 10 years. If they do not have this property, he said that he sees no way they could get it at this low a cost. If the legislature says no to this, he felt that they would be saying to future legislators that they will have to pay a great deal more.

Mr. Malone had a question on the interest rate. In article 5 of the agreement it says that "Interest on the unpaid balance shall be prime rate charged by the Bank of America as of the effective date of this memorandum of agreement." The date of the agreement is March 27. Earlier in the evening, the figure 7% was quoted as the prime rate and he asked if that is the figure. Mr. Brundin said that he thinks so. Mr. Wischmeier said that they think it is 7 1/2%. Mr. Brundin spoke of the bond issue the University released recently. They were unable to sell all of it and the company that agreed to buy \$6 million lost money. They were told that if they could sell for 8% they are going to be lucky. He said that he has also been told that recent Wall Street Journal fiscal analysts are concerned about the A rating for the State of Alaska, given the financial difficulties the state is in.

Mr. Malone asked if the effective date would be the date the agreement was signed (March 27, 1975) or the date that the state comes through with the cash, if the state does. Mr. Brundin said that it is the date it was signed, the 27th of March. There is a provision in the agreement that it will be funded. He said that he understands that this may not be funded. If it is not, there is a provision under which AMU can "pull out". This provision is in Article 11, which the Chairman read to the committee.

Mr. Brundin said that when the University first began looking at the AMU situation, their first thought was could they save it. Second, would they (AMU) give the University their land and facilities. Third was this agreement. He said that it seemed a fair price.

Mr. Naughton referenced Mr. Brundin's remark that before the end of 10 years, the University of Alaska could possibly find itself needing these facilities. He asked at what point they anticipate the facilities being needed. Mr. Brundin said that their population estimates show that the Anchorage area by 1980 or 1982 will have doubled in size.

5/1/75

At present, every building is filled before it is completed. Before the end of the 10 years, they are going to have to start a campus somewhere else where there is additional ground available. They have looked at Campbell Airstrip across the road and that seems more and more untenable. If the growth in the next 10 years is any indication, it is likely that they will use up that space in the next 10 years. Mr. Naughton asked if they then expect that they will need it in 5 years. Mr. Brundin said that he really didn't know how long it would take.

Mr. Wischmeier said that from their point of view, they realize that this year they are taking care of 200 students on the consortium arrangement, so there are 200 students right there for whom the University will have to make provision. They have another 300 students they are taking care of at AMU and they anticipate a good portion of them turning to the University. There is also the nursing program.

Mr. Brundin commented that if every one of these 550 students instead of having the opportunity to remain in programs in Alaska were to select state funding through educational loans, the state would end up with more than the downpayment they are asking. Mr. Malone pointed out that generally if the students need loans, they apply for the loans regardless of where they are attending school.

Mr. Naughton asked where the purchase of AMU is on the list of priorities for the Board of Regents. Mr. Brundin said that they would rather have waited until next year. Mr. Naughton asked if he was saying that this is not their top priority for this year. Mr. Brundin said that it is not for this year, but if they wait and then go into the purchase, there will be "two years down the drain", in addition to which costs will have risen. Mr. Naughton referred to Mr. Brundin's allusion to the state's bond rating. If the state were to go another \$15 million in debt when they are already in trouble, he wondered how that would affect the bond rating. Mr. Brundin said that he didn't think that by law a future legislature could be legally obligated. Any obligation would be a moral one. He said that he didn't really know if it would make much difference. The University by signing the agreement is obligated but it is contingent on funding. If 7 1/2% seems too high for the future, Mr. Brundin said that the state would have the right to prepay through a bond issue.

Mr. Malone said that in the agreement he does not see that a lump sum payment was specifically set out or considered. He asked if under the agreement the state could in fact pay cash. Mr. Brundin said that that was his understanding since it was not specified that that they could not prepay. As a matter of fact, he said that he was sure cash payment would be welcome; Mr. Wischmeier said yes, that that would be fine.

Mr. Malone said that one of the things concerning the committee is that in addition to the Governor's recommended figures for the University budget, several million dollars (\$4 million) are being requested by

5/1/75

the Regents. This is what the Governor disallowed. He said that it was his understanding that reinstatement of those monies is a higher priority than the funds for AMU. Mr. Brundin said that he has no such understanding. Mr. Malone asked, then, if he was saying that the AMU purchase would be the University's first priority. Mr. Brundin said that he could not say. He corrected his previous statement, saying that he had misunderstood the question, and said that he thinks their top priority has been to stay on a maintenance budget, and he said that he understands that is what the Governor has suggested. Less than a maintenance budget is detrimental to the University. Above the maintenance budget, however, there is a different set of facts in play. They have an opportunity now, one which if they don't take will have quite an impact locally on a number of people. As far as the budget figures, he said that Dr. Dafoe could probably speak to those better.

Mr. Gruening asked about the first payment needed by AMU. Mr. Overbey said that they rounded the \$957,200 to \$1 million. They estimated the balance of what they would need at \$700,000, including severance pay for their employees. The total initial payment would be \$1,700,000. By July 1 the second installment would be due under the terms of the agreement. Then there would be no additional payment until July 1, 1976.

Mr. Gruening asked if any thought was given to deferring the balance of the downpayment to later. He mentioned that the cash amount is a problem for the state. Mr. Brundin said that they tried in the negotiations to figure the downpayment at no more than AMU would need to meet their bills this year plus a small amount for planning.

Reverend Wischmeier said that he understood the state's difficult financial picture, and that if they were unable to continue payments on the principal, they (AMU) would be willing to consider waiting on that if the interest were being paid. He said that he believed that would be their official position. Mr. Brundin asked if he was saying that next year's payment might be just interest, and Mr. Wischmeier said that he thought they would be willing to forego temporarily the principal payments until the oil flowed. Mr. Brundin said that that kind of response is indicative of the kind of cooperation throughout the negotiations. He said that they must have sufficient money to pay their bills and something for them to operate on a limited basis, but perhaps only having to pay the interest after that original downpayment might make a difference. Mr. Wischmeier said that they have the registrar's office, and they have to have someone working on that. They would need some money for salaries and planning for the future. However, they do not plan any elaborate arrangement. What they really need money for at this time is to pay their bills and provide for some constructive planning on how they can best meet the state's educational needs. They need to do market analysis so that they do not duplicate.

5/1/75

Ms. Itta said that she would like to know what the Governor's feelings are regarding the sale and memorandum of agreement. Ms. Greene was present from the Governor's Office, although she had not come as a witness. Asked to explain the Governor's position, however, she said that since the beginning of the review of the documents, the basic position of the Governor has been that he wanted to review it with the legislature, to avoid duplicating the hearings. For example, within the last 24 hours, there has been a series of suggestions of things to look at. She said that she believed it would be a few days before the Governor will be ready to say specifically. However, the Office of the Governor has a group working on the study and has said that they will work with the legislature as well as going forward with their own study.

Ms. Itta said that she was mainly interested in finding out what kind of priority the Governor sees it as. Mr. Malone said that Ms. Greene's comment seemed to be that he is not yet prepared to make that kind of a statement.

Mr. Brundin said that is is their (U of A's) belief that even though this matter is untimely from a program point of view, the situation is not so much AMU -- it is the human problem involved -- people who have to be paid, students, and he said that it is their view that this human problem could not be ignored.

Mr. Cowper asked if anyone has taken a look at operating and maintenance costs of these buildings. Mr. Brundin said yes, and Mr. Guthrie distributed the budget they had developed. Mr. Malone said that the Finance Committee staff has been reviewing these costs with the University of Alaska, Mr. Dafoe's office.

Mr. Brundin said that they had looked at another alternative -- that of private funding, the same way they did with the heating plant at the Fairbanks campus. Bond counsel told them that that would not only be more expensive but it also could not probably be done within the time frame that they are presented with. It would require legislative action.

Mr. Naughton, responding to the remark Mr. Brundin had made about meeting human needs, informed him that the committee today defunded four health programs in open meeting. This is not a matter that he personally is able to take lightly, he said, but is a serious matter of legislative responsibility.

Mr. Malone asked above the present ongoing operations that the University has now, he asked if their position is that the AMU purchase would be the most desirable thing to spend money on. If present operations are funded at sufficient level, the next priority would be these facilities, as he understood the testimony. Mr. Brundin said yes, he thinks so. After a moment he said that he would definitely say so.

5/1/75

Mr. Malone asked if there are other proposals viable for perhaps continuing operation of programs at AMU or for the use of those facilities. Mr. Wischmeier said that the native community gave very serious consideration to seeing if through the corporations they could come up with the monies. They said the other day that they had given up on trying to put a viable picture together. They thought it would take much longer. AMU tried to help them see the hidden costs so that they would have a realistic picture of what it takes. That alternative was carefully examined. That was one of the reasons for the statement in the agreement in terms of keeping options open. If they could come up with the funding, AMU wanted a way to be able to resolve it in that direction. Mr. Malone asked, then, if right now there are no viable alternatives, and Mr. Wischmeier said they had some but they all take funding.

Mr. Overbey said that the only alternative that would not require state funding would be closing the university down. Other alternatives include a loan to AMU which has been discussed. To take care of it that when in light of their current problem would take roughly \$1 million to meet their current needs. They would need \$300,000 to meet severance pay requirements, and would have to have another \$1 1/2 million to meet their budget for next year over and above the funds that they presently can count on. \$2.1 to \$2.5 million is what they would need to carry out their program and meet their obligations. Their budget to provide a quality program and pick up deferred maintenance would be approximately \$4.2 million. It could be pared down to \$3.6 million if maintenance continues to be deferred and the staff level is held down. Another alternative that has been discussed would be to contract with the state in some fashion for the delivery of educational services. They also considered that they might be an ideal vehicle for rural education and that would be some means of providing those funds. These are alternatives they could discuss further. Whether they are viable depends on financing.

Mr. Malone said that he would like to discuss the implications of the facilities being closed down. What cost, if any, to the state would there be and what would the impact be on the university system. What would happen if the legislature decided that it was beyond the state's capability to fund.

Mr. Overbey said that it would be a human disaster in that as of today they are already out of cash. The faculty would go unpaid. They would be unable to finish the school year. Their students would be enrolling next year at the University of Alaska, so the U of A would have the impact of the students without the benefit of the campus. The impact on the faculty would probably be the greatest. Vendors would go unpaid. The doors would have to be locked. He doubted if they could even provide security. There has already been a rash of vandalism and he was certain that that would become worse.

5/1/75

Mr. Wischmeier said that with relationship to the students, they have used all the money that has come in plus the foundation money so they are really obligated to graduate that group. He said that he could envision suits against AMU, otherwise.

Mr. Guy asked if anyone has given thought as to what impact the sale finalization would have on the established community colleges. Mr. Hiatt said that he would guess it would have no effect on the community colleges outside of Alaska. Mr. Guy said that what he was getting at was that if the proposed sale is finalized, there is naturally going to be some competition for funding. He wanted to know how the priorities for funding are going to be set up. Mr. Hiatt said that the priorities are already set up and that wouldn't change with respect to this particular purchase. He called to the committee's attention the fact that the closing of AMU was not anticipated by the University; it came on them after their budget and priorities were prepared and so it was never discussed as to impact on other programs. As a matter of fact, they have stated rather carefully in the document relating to program and staff transfer that none would happen if they are not over and above the University's maintenance budget. He said that they do not want their maintenance budget to suffer.

Mr. Guy repeated that his concern is that conclusion of this proposed sale may tend to hinder the adequate growth of the community colleges. Mr. Malone said that he could well understand such a concern.

Meeting recessed at 9:00 p.m.

RECESS

AFTER RECESS
9:25 p.m.

Chairman Malone called the meeting back to order. Mr. Schaff was requested to discuss the impact on the students. He said that when talking about students, they are talking about actual space and program. There are 1,564 students. Approximately 200 are University of Alaska students, part of the consortium agreement. One of the reasons for the cross registration currently is that it is not possible to complete certain types of major programs at the U of A because the upper division courses are offered by AMU. With the closure of AMU something has to be done to provide laboratory facilities for the U of A. (The programs to which he referred include biology, chemistry, geology, and physics.) There are certain facilities at AMU which the U of A does not have. One example is a program which they hope would transfer. It involves 1000 students. This is not on the campus but is at air force radar stations. The program was initiated by AMU last year and would not be easily transferred without the expertise of faculty. The faculty must be transferred in order to maintain the program. Other special programs are the cooperative education program, and the College of Nursing. The College of Nursing

has about 150 students. The program has special space requirements. 50% of the courses the nurses enroll in are in the liberal arts college. The faculty is almost essential in terms of accreditation.

Mr. Overbey asked if he could estimate how many students in degree programs at AMU would be unable to complete their degree programs if AMU closed without U of A assuming transfer. Mr. Schaff said that he really cannot. He estimated 550 students would transfer to the U of A in the next year. They know by students response that 132 will transfer to U of A providing they can graduate under AMU requirements.

Ms. Buchholdt asked if the standards would be different at AMU. Mr. Schaff said that in some cases the University of Alaska would not be able to allow graduation at the University of Alaska at Anchorage -- the facilities do not exist for the programs like biology, chemistry, etcetera, as mentioned earlier. They anticipate most of the College of Nursing will transfer. The U of A Anchorage does not have a college of nursing. There there are 150 nursing students if the University does not provide some sort of nursing program next year who will not be taken care of.

Ms. Buchholdt asked for clarification of earlier comment that students could take AMU to court if they could not complete their courses. Mr. Schaff said that that would be if they could not finish out this year. Mr. Wischmeier pointed out that they have already paid their money for this year.

Mr. Malone turned to discussion of the capital costs involved in the agreement. He outlined the terms of the contract and noted that the total cost involves a number of components. Dr. Dafoe said that as for the furniture and fixtures, the agreement there is that there will be an independent appraiser who will come in and make appraisals. Once that is done, the U of A has the option of saying what they want and that would be added to the purchase price.

Mr. Malone requested further clarification on determination of the \$15,427,000 figure. Mr. Brundin said that they started out with the U of A appraisal done by Dirksen Appraisal Company. That showed \$7 million for the land and \$12,161,818 for the improvements, for a total of \$19,200,000 (rounded). They compared that with the AMU appraisal done by Shorett and Riely, and found that the U of A appraisal was actually higher in some areas. That appraisal valued the land at \$19,964 per acre, or \$5,800,000, with improvements at \$14,048,000. He explained that part of the disparity between the appraisals comes from the fact that the University appraiser considered some elements as land value which were included in the AMU appraisal as improvements.

Mr. Malone referred to the letter from Dirksen Appraisal Company on the AMU valuation. He read from that letter (Dated December 31, 1974)

5/1/75

which began, "As requested, I have made an inspection and preliminary analysis of the value of land and buildings owned by Alaska Methodist University." Mr. Malone commented that that is certainly an estimate by a qualified person, but he questioned whether it was actually an appraisal. Mr. Brundin said that it was done in a quicker time frame than the Shorett and Riely appraisal. He said that they do not that from their present building costs, the costs assigned to the buildings are considerably below what it would cost the U of A to build. He said that during the period of negotiations there were a great many other things discussed and the \$15,427,000 was the lowest number put forth that was agreeable. Numbers were considerably higher for a considerable amount of time based on good reason.

Mr. Cowper asked if all of these buildings in their present condition can be used 100% by the University, or are they going to have to be worked on. Mr. Brundin said that some are in the status where maintenance was deferred and they will require increased maintenance; others will have to be renovated depending on how they will be used.

Mr. Cowper wondered about the student center being completed for the Anchorage campus and duplication with the AMU facility. Mr. Brundin said that most of the center at AMU is dormitory space with a little food service and bookstore. Dr. Dafoe stated that there would not be duplication between the existing facilities. In further response to Mr. Cowper, Mr. Brundin said that it is fair to say that if they were to build those buildings today they would not build those same buildings. Some renovation will be required.

Mr. Dellenbach of AMU testified that the entire campus of AMU is in use right now. All of the facilities listed are being used for classrooms, offices, living space, etcetera. Mr. Cowper said that he is concerned with possible duplication between the campuses and whether renovation of buildings will be necessary; for instance, there is a cafeteria at each campus and only one is needed. Mr. Dellenbach said that some of the renovation or maintenance are costs pertaining to the faculty housing units. The amount of money put into that would be easily repaid because there is a good income from faculty rentals. That expenses would be a small investment compared to the income from this. There will be very few duplications, he said. Mr. Brundin said that the only real duplication would be the union, but part of that is dormitory space. Mr. Cowper asked how much dormitory space is there, and he was answered that over 2/3 is dedicated to dormitory space and food service to support the dormitory space.

Mr. Gruening pursued a line of questioning aimed at getting at the amount of space presently utilized by U of A students at AMU. He said that he understands if AMU closes there will be a certain deficiency experienced by the U of A in terms of space and facilities utilized by those students. He wanted to get some solid figures on what was involved there. Mr. Schaff said that he did not have

5/1/75

figures on the percentage of space utilized by U of A students. There are 200 U of A students who come to AMU part time. Mr. Dellenbach said that there is a percentage of AMU campus today being used by the University of Alaska and if it were to close down, the U of A would have to make accommodations for that group of students. Adding to that the nursing students who would be "turned loose", this would mean three to four hundred students who would have to be accommodated at the U of A. He said that he is sure the U of A can absorb some of them, but not all. According to Dean Haines that space would be hard to come by. Dr. Dafoe said that the nursing program would have to go in into classrooms which they would have to convert temporarily into labs. Regarding the nursing program, Mr. Hood said that if AMU closed down, it would not be possible for the U of A to start up a comparable program overnight. It would take a period of development of curriculum and accreditation.

Mr. Malone asked, considering some of the questions Mr. Cowper had earlier been pursuing, whether the health sciences building at the U of A which for which bids have been let will result in duplication of laboratory space. Dr. Hiatt said that the health sciences building is a pretty highly specialized type of building -- medical technology, dental hygiene -- which is not available at AMU. He said that he thinks it is complimentary space, not duplication.

Going over capital costs again, Mr. Malone said that the committee in its initial examination of the patents and other documents involved in the transaction expressed concern on the restrictions in the patents of ownership and since that time to some extent also to the total cost. the committee elected to retain Mr. Wakeland, an appraiser from Anchorage, who has had a brief time to review the documents. In the interest of developing the considerations surrounding the determination of the value, he asked Mr. Wakeand for his comments and observations.

Mr. Wakeland said that his field of expertise is not the human and social values which had been spoken of earlier in the meeting. He said that as an appraiser he must deal in terms of dollars; that is his discipline. He said that he understood that the committee had not had the opportunity of reading through both of the reports, but that he has and felt that perhaps he could shortcut the deliberations somewhat by giving his understanding of what the two report say.

One of the reports was prepared for the University of Alaska by an Anchorage appraiser, Mr. Paul Dirksen. It is called a "preliminary analysis". In the parlance of the trade, this means that if he (Mr. Dirksen) were to make an appraisal he would probably be within this same area or dollar amount. The property appraised is the same as the other appraisal; he saw no problem there. The single biggest problem that Mr. Wakeland saw was the assumptions that were made in the two appraisals. The other appraisal (for AMU) was made by the

5/1/75

firm of Shorett and Riely, Seattle appraisers with an Anchorage office. Mr. Wakeland pointed out that there are no requirements for appraisers other than having a business license. Continuing with his statement about the assumptions, Mr. Wakeland said that there are some very specific assumptions made in the two reports. He felt that either or both are apt to lead the layman astray. The Shorett and Riely report done for AMU says that they have made an appraisal of the "current Fair Market Value of the fee simple interest" -- in other words, not considering the restrictions; and also of the "current reproduction cost of all of the improvements". Reproduction costs would mean cost of the buildings reproduced in kind. There is another term -- replacement costs. This is utility replaced using today's methods. Replacement costs tend to correct some of the initial problems. These buildings would not be built the same way today, as the U of A witnesses earlier testified. Right there suggests functional obsolescence built into the transfer of the buildings; neither appraiser has addressed this fact.

Also, it had been remarked earlier in the evening that there are high operating costs. Neither report addresses itself to operating cost or functional utility of the buildings. Both of these can create obsolescence. The Dirksen report does purport to appraise "the fair price to be paid for the real estate"; Mr. Wakeland said that he believed the intent was for fair market value. He said that he had quite a conversation with Mr. Dirksen before coming down to Juneau. He did deduct some depreciation from the improvements that are appraised. The amounts in the summary under "Present Value" is the depreciated value. Estimates were arrived at by a cost estimator in Anchorage working for a private contractor and does include his estimate of depreciation. There was an additional \$750,000 in deferred maintenance that did not find its way into the report, according to Mr. Wakeland's conversation with Mr. Dirksen.

The other report, the one done for AMU, is quite large. It does not have an adequate description of the buildings -- that is one of its shortcomings. The preliminary analysis done would not be expected to have this. Mr. Dirksen anticipated making an appraisal and this was only an effort to "get into the ballpark". Mr. Wakeland said that he sees several outstanding problems.

First among these problems is the deed restrictions. He finds that both of the appraisers agree there are deed restrictions for educational, charitable (like hospitals), conservation purposes; it would be restricted to that sort of thing and would not be available for commercial purposes. If these restrictions are not waived by the Secretary of the Interior by 1980, they become permanent. That was his understanding. These restrictions work hand in hand with what he called restrictive reality. He spoke of the public use concept for this entire area. Because the restrictions seem definite, he did not feel it was reasonable to assume these can be waived and to assess them as if they were waived. He did not know what monetary figure would result if the restrictions were taken into consideration.

He noted, however, that this type of land is in demand, and that if it is not used for this institution it could well be used by another.

The next problem Mr. Wakeland pointed out is that of highest and best use. By way of explaining the highest and best use concept, Mr. Wakeland commented that a house that would cost \$40,000 on a downtown Anchorage lot worth \$150,000 for commercial purposes would not be considered the highest and best use. To assume this property as commercial land, Mr. Wakeland said that the problem could be presented that these buildings are not developing the land at its highest and best use. Looking at this, the zoning, other surrounding land use, access problems, etcetera, all have to be taken into consideration. Being realistic, one must couple the land and buildings together and consider it as a package. His comments appeared to raise some question as to whether the land in this area of Anchorage would ever in fact be zoned commercial. The question of highest and best use is the single most glaring shortcoming of both appraisals. Mr. Wakeland remarked, and perhaps was something that they were requested not to address themselves to.

Mr. Wakeland continued with the statement that it is his understanding that private colleges all over the nation are in distress, and that it is a buyer's market. This raises question as to the appraisal of this property. Is the University of Alaska to be considered the principal buyer, or is the rest of the market to be looked at without such consideration of the U of A.

Mr. Wakeland referred to the comment made earlier that within 10 years the University of Alaska would probably absorb these facilities in its normal expansion. He commented that if it would take 8 to 10 years to absorb the buildings, it might not be economically sound to buy them at replacement cost today.

He had one further point. Normally the method of appraising this type of property not normally traded in the market is to estimate fair market value and add to that the depreciated replacement cost of the structures. This includes all kinds of loss of value: high operating costs, inadequate utilities, maintenance. Where there is a method of estimating value without resorting to depreciated costs, and usually a better method, is when there is a market. In this case, Mr. Wakeland said that he believes there is a market. He thinks there would be interest in private colleges in other states. There may have been a market that should have been looked into to estimate the fair market value of the property in question.

Mr. Malone referred to "current reproduction costs" on the value of the buildings, as mentioned in the Shorett and Riely report, and asked Mr. Wakeland what that means. Mr. Wakeland said that it means replacing the improvements in kind or as found, which is to the contrary of replacing its utility. In other words, if it is built in a manner that would not be of best use, they still would be

reproduced exactly as they are. Unfortunately, both appraisers used either an engineering firm or an estimator. The estimator did work for a contractor, but that was in the preliminary analysis and Mr. Wakeland said that he thought that was a pretty hasty job. He said that he would think if this were gone into in depth, it would be far better to use a contractor building this kind of structure today to determine replacement cost.

Mr. Malone said that it was stated earlier in the meeting that it would cost more than these estimates to replace the buildings today. He asked if the current reproduction cost means the cost of replacing today or some other number. Mr. Wakeland said that it is the cost today -- the cost of duplication today. From what he had heard at tonight's meeting, the costs may be low; he didn't know.

Mr. Guy asked Mr. Wakeland if he would recommend a feasibility study on highest and best use before this proposed transaction is allowed to be concluded. Mr. Malone remarked that that is a policy question. Mr. Wakeland was agreeable to answering, however, and said that frankly, any appraisal should cross that bridge before it goes any further, and a proper appraisal would have to include a study toward that end. This is very important. It involves the future of education in Alaska. It would require some consulting work, and it is possible there are some alternate uses. If it appears that it should be used for higher education, then fine, but he felt such a study would be appropriate.

Mr. Gruening referred to Mr. Wakeland's earlier example of the \$40,000 residence on a \$150,000 commercial lot in downtown Anchorage. He asked if Mr. Wakeland was considering that that kind of disparity existed in this instance between the use of the land and the buildings. Mr. Wakeland said that he thinks there is disparity in the reports but not necessarily in the property. He said that he doesn't think they can consider commercial value on the land with this use. They are either under or over improving the land in concept. He said that he had no evidence that problems exist in the property and use, but was just saying that there are problems with the assumptions that have been made. The assumptions in the reports do not make economic sense. Speaking of other alternatives, Mr. Wakeland mentioned regional high schools, native corporations (for example, in Kenai the native corporation bought a whole complex); there are grants and foundations that might take over the physical responsibility for a building. This would take a great amount of study. It goes back to the question of highest and best use. These might be the only way out if the transfer is not funded.

Mr. Brundin said that on the land itself, the restrictions from the federal government on 242 1/2 acres by the 1958 patent say that if the land is used for other than the described purposes, it reverts to the federal government. The federal government could then release it again. Those patent restrictions, however, lapse in 25 years (1983), except

5/1/75

for the 197 acres. 1983 would be fee simple with no restriction whatsoever with the exception of the university restriction and zoning. Commenting on the reference made to the University's use of the property in 10 years, Mr. Brundin wished to correct the impression that use would not be full and said that they will be using the land.

Dr. Hiatt, continuing the point, noted that AMU property is fully used now. If the U of A takes them over they will already be grown into. He said that the percentage of people from any particular area going into an institution of higher learning runs about 5 to 6% in this state. With a population of roughly 150,000 in Anchorage, there are around 9,000 students. In 1985, it has been projected by the state's planners that the Greater Anchorage Borough will have a population of 300,000. 15,000 students, then, would be a minimum. He said that they are not only talking about moving into the buildings on AMU but using the 500 acres of land. Right now they are "land bound". The buildings are already being fully utilized.

Mr. Cowper asked Mr. Wakeland if he had looked at this land. Mr. Wakeland said that he is familiar with it although he had not gone back out to look at it. He was asked down to make comments. Mr. Malone explained that after the committee's interest in reviewing this it seemed that to duplicate the appraisals or estimates that were done would be extremely expensive, so Mr. Malone instead limited the inquiry to requesting Mr. Wakeland simply to review the materials at hand.

Mr. Gruening asked if in 1985, with the logical progression of property values, the University had to acquire land, Mr. Wakeland wouldn't assume they would be dealing with a pretty sizeable amount of money.

Mr. Wakeland said yes, the land values will probably increase, although not necessarily at the rate they have been increasing in the past. In response to Mr. Brundin's comment, on the question of the restrictions, Mr. Wakeland said that if this is gone into in any more depth, that bridge should be crossed. Those questions should be answered by legal counsel. This is not the expertise of an appraiser or an economist. This should be researched and decided. It makes quite a lot of difference.

Mr. Malone said that as far as cost estimates of the operations by the University of Alaska in the budget year, the latest revised estimates have been distributed to the committee and he invited Dr. Dafoe to explain them. Dr. Dafoe said that he has been working with finance committee staff in developing figures for operational. He commented that they are pretty much in the ball park when they are compared with AMU's budget projections. The projections were based on four different bases, depending on how much of the program would be taken over. One thing that he specifically noted was the \$700,000 tuition equalization funds which would be an offset. If AMU were operating, \$700,000 would be put into tuition equalization

5/1/75

funds. There was lengthy discussion on costs of the various assumptions. However, since the time of this meeting, new figures have again been developed and still are subject to change.

In speaking again of the terms of payment, Mr. Malone said that the agreement calls for 10 annual installments commencing July 1, 1976 on the balance of the purchase price after the downpayment. He wondered if the U of A in connection with this agreement considered the possibility of state GO bond securities to cash out the costs and what impact that might have on the debt service requirements of the University in the future. Mr. Brundin said that they looked at that and the possibility of revenue bond funds. They came up with the 10 year proposal with the thought that some of those questions could be approached later. Mr. Malone asked if this was put into a GO bond issue in 1976 to be ratified by the people, how much money would they be talking about. Mr. Brundin said that he would think AMU would be willing to say that they would take a discount if they were paid cash. Rev. Wishmeier nodded.

Mr. Malone, to clarify the position of the U of A, asked if as far as the University of Alaska is concerned, the the budget year FY 76, the first priority would be the integrity of the existing programs that the University has in operation now; the next priority in funding would be the AMU purchase; and then perhaps other new programs, undesignated. Dr. Hiatt said yes.

Meeting adjourned at 10:55 p.m.

adjourne

HOUSE FINANCE COMMITTEE

Friday, May 2, 1975

1:15 p.m.

All members were present with the exception of Rep. Naughton. PRESENT
Also present were Rep. Bradley, Mr. Henry Pratt, lobbyist for
RCA, and Mr. Banfield, attorney for RCA.

Chairman Malone called the meeting to order for purposes of dis- HCR 60
cussing HOUSE CONCURRENT RESOLUTION 60 (Relating to the telecom-
munications policy of the state).

Mr. Malone said that HCR 60 resulted from a discussion between the
Governor and a number of legislators on what should be done on tele-
communications in the state. Mr. Bradley, one of the co-sponsors of
the resolution, was present to testify. Mr. Malone remarked that
there was considerable debate in Mr. Bradley's committee (Commerce)
on this resolution.

Mr. Bradley addressed the resolution. He said that this subject has
been a matter of debate throughout this legislative session; that is,
whether the state or RCA should control the communications. The con-
sensus of the legislators, in meeting with the Governor, was that as
untimely as it might be due to the fiscal difficulties the state is
experiencing, it would still be in the best interest of the state to
appropriate this money. The resolution does not give a dollar amount.
However, there is a bill (SB 149 am) which does address itself to
dollar amounts. Mr. Bradley said that he thinks the resolution is
a good one, and he supports it.

There were no questions of Mr. Bradley; he left the meeting.

Mr. Malone invited Mr. Pratt's testimony. Mr. Pratt stated that he
would like to give a brief background on this resolution. The problem
was first discussed in 1973 under the Egan administration on behalf
of RCA. Last year at this same point in time they were working on
this with the Governor; at that time the point being argued was whether
or not to provide 10 foot earth stations or 15 foot earth stations.
Since that time, progress has been held up. Now the 15 foot earth
stations are favored. At the beginning of the 1975 legislature, the
Office of Telecommunications and RCA began negotiations to resolve
their differences. There were two major items in question --
(1) telephone and emergency communications; (2) television. He said
that RCA's position has been that they will do whatever the state
decides they want. The question now is whether the state will be
establishing the stations or whether RCA will be doing it.

Mr. Pratt made reference to the proposed agreement between RCA and
the state which was signed by RCA but not by the state. (See bill

5/2/75

file on SB 194 am). This agreement was drafted several times before this latest proposal was prepared.

Mr. Pratt said that he believed the reason for the resolution is that there is concern over whether there is adequate protection of the state's participation in planning and development and whether or not this agreement will provide for the type of communications the rural areas need. He said that he questions whether state ownership would in fact necessarily be in the public interest. He did not think public interest was defined enough to determine whether state ownership is necessarily in the best public interest.

Mr. Pratt spoke of the work that must be completed before installation can be accomplished. RCA has 115 people in Anchorage who are working on this full time. The state's plan at the present time is to install 100 earth stations. RCA is capable of beginning installation almost immediately. The agreement provides a heavy penalty if the time schedule is not met. In response to questioning by Mr. Haugen on the earth station installations, Mr. Pratt said that these must be FCC approved or a waiver of such approval. They presently have 21 applications "in the mill". The state has not begun the paperwork yet. RCA is in a better position than the state to do carry out the installations at the present time. They are one third of the way through the list of procedures that are required (list was submitted to all committee members). Mr. Haugen asked if the state will have to do everything that RCA has done or not, and Mr. Pratt said that they would have to go through the same procedures. Mr. Haugen asked if they considered only telephones, what would the cost to the state be. Mr. Pratt replied that the cost would be approximately \$5 million. He personally did not feel that this would quite cover the cost of the 100 earth stations.

Mr. Pratt submitted another list to the members; this was a list of the state's priorities for the earth stations. Ms. Itta noted that it is her understanding that 20 of this list of 30 will be selected for installation this year, according to her understanding. Mr. Pratt said that that is correct. Ms. Itta questioned the state's selection of 30, but leaving the selection of 20 from that 30 to RCA. Mr. Pratt said that the basis of the reasoning was recognition of the fact that FCC may not approve some of these and if they started with only a list of 20, and for some difficulties (lack of power, site selection, FCC rejection) they might end up with fewer than 20. Ms. Itta asked how long it would take to receive a permit from the FCC. Mr. Pratt said that there was no way of knowing; experience indicates anywhere from a couple weeks to several months. They would be hopeful of getting them in a short period of time with the state's cooperation. At the present time, the state has objected to issuance of any permits to FCC.

Ms. Itta wondered about the environmental impact statement requirements.

Mr. Banfield referred to the aforementioned list of items that must be completed before FCC application is made. The environmental impact statement is one of these, and concerns itself with pollution, whether trees will have to be cut down, etcetera. The actual procedure is this: first, preparation of project specifications. This was done by RCA in cooperation with the state. The bids are already in. The state then has a bidders conference. That was held in Seattle. When the proposals come in, they are evaluated. Contracts are awarded. In site selection, one must make a radio frequency survey to make sure that other communications systems are not bothered and will not be a bother. That goes into the computer and back to FCC. Zoning restrictions of the city and accessibility to the community must be examined. He said that there has to be some shelter - the stations must be protected; there has to be availability of power; there has to be a soil erosion study done of the land concerned; there must be an environmental impact study. All of these must be filed with the FCC. RCA will be filing for 14 of these next week.

Mr. Banfield continued, speaking of the areas that RCA presently services and the fact that RCA has a satellite and is putting up three satellites. He mentioned that the state will not be able to do telegraph and telephone installations because the FCC will not give permit for two outfits to do this. Furthermore, the state's operation would have to be compatible with RCA's stations. That is why the specifications have to be worked out so very carefully. RCA is prepared to go into the villages on a definite schedule and in three years they will have an additional 100 stations.

He said that RCA does not think it makes sense to construct two systems in the same village; especially when one is for the state's television which they say they cannot do for two years but which RCA could do next month. They would be able to go into 20 villages by simply plugging in the television adapter in the villages which have telephone service. He said that RCA is willing to put in all of the money and make the adaptations to television where they want it. The state then would have no investment but would simply hire RCA to put the signals through the air. The state of Alaska in addition to \$5 million they \$5 million will have to have the cost of installment. Then they have to have \$39,000 apiece to adapt stations to television and then begin programming costs. His point was that RCA will build the stations and spend the money and the state can then spend their money on programming and not hardware. He questioned the point of having two stations in own town, one for telephone and one for television. RCA is committed to the Governor's Office to put telephone communications into every village in Alaska with 25 people which means that they will be going into a great many areas.

Mr. Haugen said that his feeling is that a great deal of time will lapse before installation of the stations if the state goes into this, whereas the time frame will be considerably less if RCA does.

5/2/75

Ms. Buchholdt moved to report HCR 60 out of committee. Mr. Haugen MOTION objected. He repeated his concern that this service will be much later in coming if the state takes it over. He felt it could quite adequately be taken care of by private enterprise at this time. On vote of the motion, motion carried 6-1, Mr. Haugen voting no.

Mr. Malone brought up the idea of amending the resolution by changing or deleting the last "whereas" clause on page 2 of the bill. He thought that the language conflicted with itself. However, no action to amend was taken. Majority report on the resolution was "do pass", Mr. Haugen signing "do not pass".

Meeting adjourned at 2:00 p.m.

ADJOURNED

5/2/75

HOUSE FINANCE COMMITTEE
Sunday, May 4, 1975
9:15 a.m.

All members were present with the exception of Reps. Itta and Guy. PRESEN
Staff were also present.

Chairman Malone called the meeting to order. First item on the agenda was HOUSE BILL 37 (Limiting Loans made by Alaska Housing Finance Corporation). Mr. Duncan asked what the reason for this bill was. Apparently it stemmed from participation in the loan program by someone with bad financial management. The Commerce Committee's action on this bill was to report it out with a majority "do pass" with an amendment changing the word "Authority" to "Administration" [Federal Housing Administration]. Mr. Malone said that what happened in the situation leading Mr. Urion to introduce this bill was that someone set up a mortgage company on their own that only had to meet the specifications of housing finance, which are basically nil. Mr. Urion's fear is that this will result in illegitimate mortgage companies for the purpose of these loans. Mr. Naughton said that he would like to know what FHA has approved as a lender in the state. The purpose of the Alaska Housing Finance Corporation is to make loans available for low or middle income people in blighted areas of the state. These will not be hard money operations. It was not intended to be. Mr. Gruening asked if this refers just to banks. Ms. Buchholdt said that there are now 2 private lending mortgage corporations in the state, both Seattle based but with offices in Anchorage. Mr. Naughton asked what this would do to the regional corporations. He wondered if they would be FHA approved. He said that he would like to check with FHA. He asked that action be deferred on the bill. Mr. Malone assigned the bill to Mr. Naughton for further research.

HB 37

HOUSE BILL 78 (Supplemental Appropriation - SOS) was brought up for consideration. This is a Governor's bill. Mr. Cowper asked if this was just a shortfall in the 874 funds, and Mr. Malone said yes. Mr. Hogan commented that the Governor does anticipate this to be a recurring problem, per his language in the general appropriations bill. Mr. Malone said that the Governor would like a continuing, open-ended appropriation out of the general fund for that purpose. He said that he does not think that that is a good way to appropriate money. Mr. Haugen asked if there isn't a pretty good possibility that Title B 874 is almost a cinch to be eliminated in the next few years. Indication was that that was correct. Mr. Gruening said that one of the problems is that when SOS is gone they will not be getting a differential rate (they get 100%). There will be trouble anyway. Mr. Naughton said that the state of Alaska has had preferential treatment and then someone at HEW decided that Alaska doesn't need it anymore. That is the argument going on. However, that is

HB78

5/4/75

coincidental, not part of the SOS deal. Mr. Malone said that the original shortfall was reduced by enrollment reductions. Mr. Naughton moved to report HB 78 out of committee. No objection, so ordered. Report was signed with a unanimous "do pass".

HB 78
Motion

HOUSE BILL 211 (Act relating to the administration of state tax and revenue laws" was brought up for consideration. Mr. Malone said that this bill relates to hiring out of state agents to audit records of out of state taxpayers. There is a committee substitute by the Judiciary Committee. Mr. Haugen asked what the difference in the committee substitute is. Mr. Naughton said that in the original bill, p. 3, section (g) makes a violation a misdemeanor (it was made a felony in 1972). The committee substitute puts it back to a felony. There were some other changes between the original and the committee substitute which the committee took a look at.

HB 211

Mr. Cowper referred to page 2 of the bill, (b) under Sec. 43.05.230 which discusses the admissibility of the returns as evidence in court. He wondered why the language was necessary. It is subject to the normal rules of evidence anyway. He moved to delete the section (b) and renumber the subsections accordingly. This subject is covered by other rules and other statutes. During discussion on the motion, other problems were raised, and the committee wished to discuss the legislation further with the Department of Revenue which had indicated to the committee that this was simple housekeeping legislation. Mr. Malone assigned the bill for further research to Mr. Cowper.

MOTION

HOUSE BILL 260 (Relating to Forest Service Preference Rights) was brought up for consideration. Mr. Malone said that there is a fiscal note on this bill with an explanation. He read from the explanation. Mr. Naughton asked what size parcels are involved in the Forest Service permits. Mr. Gruening said around 5 acres. Mr. Gruening said that he thought the people paid for the survey. Mr. Malone said that they sell property at fair market value now, but when the land is turned over to the state by the federal government, it is subject to these permit holdings and the state has to bear the survey cost. Mr. Gruening said that what this does is lower the base; they could still sell at market value but that would be more than the market value at the time of offer or original entry. Mr. Malone said that he thought the intent of the original law was to guard against sales at less than the fair market value. Unfortunately, in the fiscal note they do not have an estimate of how many tracts might be involved and he said that that information is available. Cost of transfer to the state looks like it would be in the order of \$2 to \$3,000. He didn't know what sort of drain that produces on the general fund and he said that they would not be able to tell without the number of parcels.

HB 260

Mr. Malone noted that there is an amendment by the Resources Committee

5/4/75

on lines 17 and 28 -- in both cases the amendment is to add after "public." the sentence "In addition the permittee shall assume any survey costs." Mr. Malone said that he thought the amendment made sense. Mr. Gruening said that he heard that those survey costs run around \$5,000 a lot. Mr. Cowper asked if the permittee has the right to pick a surveyer. Mr. Malone said that the land has to be surveyed before title can be transferred, and a person can have that done before the state, using the surveyor of their choice. HB260

(Mr. Haugen left the meeting.)

Mr. Cowper moved to adopt the Resources Committee amendments in the form of a Finance Committee substitute and to report it out of committee. No objection, so ordered. Mr. Gruening objected. He felt that the survey costs could be quite high. Mr. Malone asked that the motion be divided, to which Mr. Cowper had no objection. The first motion, thus, was on adoption of the amendment. Reps. Gruening and Guy both objected. On vote, motion failed 3-4, Reps. Buchholdt, Malone and Cowper objecting. Having failed, the motion was to report the bill out of committee. Mr. Naughton objected. Motion carried 403, Reps. Naughton, Guy and Gruening voting no. The bill was reported out with individual recommendations, Rep. Haugen voting do pass, Reps. Buchholdt, Cowper, Duncan signing no recommendation, Reps. Gruening, Naughton, and Guy signing do not pass, and Rep. Malone signing do pass with amendment. MOTION

HOUSE BILL 307 (Act disallowing certain credits under the Alaska net income tax) was brought up for consideration. After brief discussion, Mr. Cowper moved to report the bill out of committee. Ms. Buchholdt objected. She wondered if this meant taxpayers would no longer get double deductions. Mr. Malone said yes, but that loophole has already been closed anyway by HB 212 which has already been reported out of committee. Mr. Cowper, in response to Ms. Buchholdt's concern, pointed out that this bill is talking about credits, not deductions. Ms. Buchholdt removed her objection and so, without objection, the motion was adopted. Committee report was signed with a unanimous do pass. HB 307

HOUSE BILL 314 (Relating to outdoor advertising control) was brought up for consideration. Mr. Malone said that without passage of this bill, the state will not be in compliance with the federal law on the subject and sanctions would be exercised against the state to the extent of 10% of the state's federal highway funds. Mr. Gruening moved to report out the bill. Mr. Malone noted that there is a Commerce Committee amendment, which the committee took a look at but took no action on. HB314

5/4/75

Mr. Malone moved to insert a comma following the word "interstate" on line 19 and on page 2, line 4, after "interstate" to place a comma and insert "primary." No objection, so ordered. He moved and asked unanimous consent that a finance committee substitute incorporating the amendments be drawn up and that it be reported out of committee. No objection, so ordered. Bill was signed with a unanimous "do pass".

HOUSE BILL 375 (Relating to the Fishermen's Fund) was brought up for consideration. Mr. Guy moved to report the bill out of committee. Mr. Malone said that he is going to ask the Rules Chairman to hold the bill until he sees a fiscal note on the bill. There was brief discussion on possibly changing the way the bill is drawn up to a "repeal and reenact" format. Decision was made, however, to leave the bill as it was since it showed just what changes had been made. There being no objection to the motion, it carried. Committee report was signed with a unanimous "do pass" recommendation.

HOUSE BILL 472 (Appropriation to Carl Samber) was brought up for consideration. Mr. Samber had a boat and the state built a bridge on top of it. This bill went through the House last year. Mr. Cowper moved to report the bill out of committee. No objection, so ordered. Report was signed with a unanimous "do pass".

HOUSE CONCURRENT RESOLUTION 48 (Establish Northwest Community College) was brought up for consideration. Mr. Guy moved to report HCR 48 out of committee. Ms. Buchholdt brought up the question of the name of the community college, since there are other areas in the northwest with interest in having a community college. There were some proposal for names, but the committee decided it was only reasonable to allow them to pick out the name of their own college. Mr. Malone suggested deleting any reference to the name "Northwest College" and replacing "the Northwest Community College" on lines 2 and 6 of page 2 with "a community college". Mr. Naughton noted that the title would also have to be changed. The following amendments were moved: Page 1, lines 5 and 6, delete "the Northwest Community College" and insert "a community college in Nome"; line 11, delete "for Northwest Alaska"; Page 2, lines 2 and 6, delete "the Northwest Community College" and insert in their place, "a community college". No objection, so ordered. Mr. Gruening moved to report Finance Committee Substitute for HCR 48 out of committee. No objection, so ordered.

COMMITTEE SUBSTITUTE FOR SENATE BILL 23 am (Violent Crimes Compensation) was brought up for consideration. Mr. Malone proposed that the Finance Committee Substitute for HB 114 be adopted as the Finance Committee Substitute for CSSB23am. Mr. Cowper so moved. No objection, so ordered. Committee report was signed with a unanimous "do pass" on the committee substitute.

5/4/75

Committee recessed at 11:20 a.m.

RECESS

AFTER RECESS
11:30 a.m.

Chairman Malone called the meeting back to order. HOUSE BILL 116 HB 116 (Relating to oil and gas development) was brought before the committee for consideration. Mr. Malone sponsored this bill. He noted that the Commerce Committee took out the permit section which can be covered by regulation and raised the conservation tax which is now one-eighth of one cent per barrel which brings in \$78,500 and costs \$600,000 to administer. The committee substitute changes the nature of the bill from a regulatory one to a tax bill. Mr. Haugen asked how much this will create in revenue, and Mr. Malone said that an eighth of a cent brings in \$78,500; this will bring it up to around \$600,000 which is what it is costing the state now. Mr. Malone said that the reason he introduced the bill was that they didn't issue permits in Katchemak Bay, and people went through there and tore up crab boats and everything. The committee substitute is a tax bill rather than an inspection bill. Mr. Naughton asked if it had been run by the Legislative Affairs attorneys and as it had not, the bill was taken off the agenda for today.

HOUSE BILL 394 (Special appropriation - Education, Hydaburg School addition) was brought up for consideration. HB 39 Mr. Malone said that the Hydaburg school addition was funded in CH. 142 SLA 74, which is a bond issue for school construction. It was in two parts, rural school construction and rural district school construction. There was \$420,000 for Hydaburg in that. The estimate for the planned construction runs \$570,000. They are almost ready to go to bid for the school construction, but they don't have enough money to do it per their plans. They are short an estimated \$150,000. This money would be appropriated to the Department of Education. In the same portion of the bond issue there was money for Kake, Dillingham, and money for overruns in other school construction projects, as well as money for Hydaburg.

(Mr. Gardiner entered the meeting.)

Mr. Gardiner was invited to testify. He said that basically this is a supplemental appropriation. The original estimate was \$59 per square foot which turned out not to be the case. The actual cost now is estimated to be \$71 per square foot. They designed it, cutting off part of the school because of the short funding. The part they would be cutting off would be the lunch room, multi-service area, and additional classroom space. The high school is attached to the junior high school and this would be used by both. Eventually they will want this anyway, and it will cost more. If they have to bid a separate contract it will be much more than \$150,000. He said that at \$71 per square foot he thinks it will be

5/4/75

one of the cheapest schools to be built in rural Alaska.

Mr. Haugen said that he knows something about this, and said that he really believes the bill ought to be reported out. He said that Hydaburg is one of the finest communities in Southeast. In addition, he spoke of a need for \$20,000 for completion of a multi-purpose room in Klawock. He said that they are short this amount and they have done practically all the work themselves. He moved to amend the bill to include \$20,000 for Klawock. No objection, so ordered. Mr. Gruening moved to report a committee substitute incorporating the amendment out of committee. No objection, so ordered. The majority report was "do pass". MOTION MOTION

HOUSE BILL 344 (Appropriation - Office of the Governor, theatre development projects) was brought up for consideration. Mr. Duncan HB344 stated that the Arts Council supports this but does not want it in lieu of their operating budget. He reminded the committee that this is match money through city Spirit grants of the National Endowment on the Arta, and will not be available after this year. Mr. Malone had some reservations about the hiring of an outside theatre consultant. Mr. Gruening moved that the bill be reported out of committee. No objection, so ordered. Majority report was do pass: not concurring were Reps. Naughton and Guy voting no recommendation and Mr. Malone signing No comment. MOTION

HOUSE BILL 374 (Special Appropriation - Department of Natural Resources, Division of Parks) was brought up for consideration. HB 374 Mr. Malone noted that Ms. Buchholdt is prime sponsor of this legislation. There is a long fiscal note narrative which describes what the bill does. Ms. Buchholdt said that there are about five bodies of water flowing through the Anchorage borough. Fish Creek is one of them. It flows through her district and has created all kinds of hazards for young children. A couple years ago a child drowned in one of the littel pools. The sewer system flows almost along its banks and occasionally they leak. They want to try to improve it by cleaning up and the fiscal note narrative describes out it will be done. Mr. Gruening moved to report the bill out of committee. No objection, so ordered. Committee report was signed with a unanimous do pass recommendation. MOTION

HOUSE BILL 24 (Relating to public education in the unorganized borough) was reported out of committee on April 24. However Mr. Malone said that he is going to ask to have it returned to committee for some technical "clean-up". Going over the final draft some difficulties were discovered and so he is requesting that it be returned to committee to take care of these technical changes. HB 24

Committee adjourned at 1:00 p.m.

ADJOURNED

5/4/75

HOUSE FINANCE COMMITTEE
Tuesday, May 6, 1975
4:18 p.m.

All members were present. Also present were Representatives **PRESENT**
Kelley, Brown, Bradley, and Smith; RCA lobbyist Henry Pratt
and attorney Norman Banfield; Hilary Hilscher of the Office of
Telecommunications; press and staff.

Chairman Malone called the meeting to order. SENATE BILL 149 ^{SB 149}
(Supplemental Appropriation - Office of the Governor, satellite
terminals) was before the committee. Mr. Malone said that the
bill in its present form (that is, the Commerce substitute, not
the bill before the committee) is a supplemental in the amount of
\$5 million. The bill before the committee, SB 149 am, is a
supplemental for \$1 million. He noted that there is a Commerce
Committee substitute and invited Mr. Bradley to speak to that. Mr.
Bradley said that he thought the Commerce substitute speaks for
itself. He felt that \$5 million was within fiscal reason. He
supports the legislation.

Ms. Hilscher distributed some backup information. This included a
memorandum on the proposals for the State's procurement
of earth stations. The cost estimates reflected in the memo
were between \$40 and \$50 thousand. The estimates were not definite
because some of the bids were for components and not complete
stations. 27 proposals have been received.

Mr. Brown referred to Ms. Hilscher's statement that the bids are
on the order of the \$40,000 figure, and asked what the full range
of bids was. Ms. Hilscher explained that since part of the bids
were for components, it is difficult to figure. She said that
the bids could possibly come out lower than the \$40 - 50 thousand
figure, but would not be higher.

Mr. Smith brought up some of his concerns relative to the legisla-
tion; these included the fact that the state will have to get FCC
approval to even buy these. He asked if the state has filed. Ms.
Hilscher said no, because they did not have the bids for the earth
stations. They had to wait for the technical material before
filing. In response to questioning by Mr. Smith, Ms. Hilscher said
that the state would specify the priority for the 100 locations.
Mr. Smith asked about placement of the stations on the ground, and
Ms. Hilscher said that some would be on private land, some on the
top of buildings. Site surveys would determine that. They won't
necessarily need environmental statements on all of the locations.
In response to continued questioning, she said that microwave
repeaters are completely different. She mentioned that some of the
land they use would be land under native claims or schools and
so wouldn't require impact studies and such delays.

5/6/75

Mr. Smith maintained his concern about delays due to environmental SB149 impact statements. Ms. Hilscher said that this was taken into consideration not only in the site selection but villages selected. Mr. Smith asked then if there will be no problems with the 20 sites. Ms. Hilscher said that that is what the consultants have said who have been out to look.

Ms. Buchholdt asked about the physical size of the stations. Ms. Hilscher said that they are talking about a 15 foot dish which can go on top of buildings or pilings. The type of equipment is very small -- it's a small black box, and is not for voice communications. There will be more when there is television but is still will not be big.

Mr. Smith said that he read some of the information which indicated that there might be some problem of radiation hazard if they were located on the ground, so the stations would have to be fenced in. Ms. Hilscher said that the immediate work they have done particularly with regard to ATS experiments, gives evidence of some small amount of radiation but fencing has been put up just in some areas where a lot of animals are involved.

Ms. Itta referred to a list of priority communities from RCA at an earlier meeting. This differs from materials which Ms. Hilscher had distributed. Ms. Hilscher looked at the list and said that it is not the state's priority list, as Ms. Itta indicated the committee had been told by RCA. Mr. Gruening asked how these were prioritized. Ms. Hilscher said that they were chosen by the Indian Health Service; they went to native health boards. The list in her information is the list that the Office of Telecommunications came up with. It actually goes on to 120. Mr. Gruening asked how solid that is; has there been input by villages. Ms. Hilscher said that Mr. Weatherly and the consultants have been out in the villages and they have also talked with village health corporations who they have assumed talk with the people. She said that it might turn out that some particularly site would have to be more work done on it, and so not every one of the 20 priority villages would be taken care of first.

Mr. Pratt said that the list he had distributed was the last priority list that RCA had been given by Dr. Merrit of the University of Alaska, and they were unaware that the state had come up with a new list.

Mr. Smith asked if RCA has prepared applications necessary to go to the FCC and Mr. Pratt said that one or two of the applications have been prepared for a period of time. The balance of the preparation work has been based on the list that they had gotten from Dr. Merrit, and they are within 10 days of completing that paperwork. He understands that it will be completed this week.

Mr. Smith asked how long it takes to prepare these applications. SBl49a
Mr. Pratt said four or five weeks per village. Mr. Smith asked about land status and availability of physical installation sites. Mr. Pratt said that in those instances where they have had previous experience or previous plan they intend to use the same sites. In those instances where no site locations are specified, they would probably concur with what Ms. Hilscher said, using perhaps BIA or schools.

Mr. Smith asked in the event that the state should go into this, would the present VHF sites be available to the state, and Mr. Pratt said that he couldn't answer. In most cases he would assume the answer would be yes.

In response to questioning by Mr. Guy, Mr. Pratt said that the VHF equipment in most cases presently installed will be replaced by earth stations. Mr. Guy asked how this will affect the telephone systems. Mr. Pratt said that there will still only be one per village regardless of whether it's done by RCA or the state. Mr. Guy asked if the earth stations have the capability of providing for more than one telephone per village, and Mr. Pratt said yes. Mr. Guy asked what the present cost of each telephone is. If the existing communications means are replaced by earth stations, he wanted to know if the \$58,000 figure is going to be the same. Mr. Pratt said that their estimates are \$58,000; the state's are not known for the same system or better. It will be somewhere in that range. Mr. Guy asked if he was saying that the replacement of these telephones with the 15 foot earth stations will cost in the area of \$58,000 each, and Mr. Pratt said yes. Mr. Pratt said that the satellite earth stations have the capability of being expanded easily but neither the state's nor RCA's existing plans call for more than one telephone per village for the price involved. Mr. Guy asked what the cost of providing more than one telephone would be. Mr. Pratt said that he did not have a multi-channel figure in his head. Ms. Hilscher said that she would find out. In response to questioning by Mr. Guy, Ms. Hilscher said that sometimes a couple of villages can share the same circuit. Sometimes extremely small villages can share the same channel. Mr. Guy asked if the Dominic system provide for private conversation and Mr. Pratt said yes. It's not a radio channel where anyone can listen in. Mr. Brown, in partial answer to Mr. Guy's questioning, said that the technical problems involved in changing to more than one voice channel are small. He believed that Mr. Weatherly said to provide television capability which is equivalent to 600 to 900 telephones would be in the low thousands of dollars, so if just talking about circuitry that will cost little.

Assuming that this bill goes out, Mr. Haugen asked how soon the state is prepared to provide this service. Ms. Hilscher said on the same schedule as the agreement with RCA. Mr. Haugen asked if

they have gone through all the procedural motions. Ms. Hilscher SBl49a said that they have not filed because of not having determined technical aspects. They would be prepared within a few weeks to file. They have attorneys in Washington working on getting the filing together. It would be year before they would actually begin.

Mr. Haugen asked Mr. Pratt what kind of procedure they would take and how much time it would take getting to the point they are now. Mr. Pratt said that he couldn't quote the number of manhours, but there have been a lot of them put into this so far. Mr. Haugen asked if all the agencies have to be cleared before the operation can proceed, and Mr. Pratt said yes. There are a lot of details and regulations that have to be taken care of. Mr. Haugen asked if the same goes for the State, or are they exempt, and Mr. Pratt answered that the state has to adhere to the same procedures as anyone else.

On the revenue picture, Mr. Smith asked Ms. Hilscher if the Office of Telecommunications has any firm agreements in their information indicating that the Native Health Services and other agencies will be sources of revenue, or RCA. Ms. Hilscher said that they have nothing firm signed with RCA. They do have agreements with the health services that they will put in a certain amount of money. FAA has indicated interest and said they would be interested in putting some of their communications through the state's service.

Mr. Haugen asked Ms. Hilscher what their revenue projections are, and she said that there is a cash flow analysis that has been done. They are looking at two or three users and coming out virtually the same in some cases as RCA. The cash flow analysis had been distributed and she explained it. In response to questioning by Ms. Itta, Ms. Hilscher said that they have been talking with them for about the last four months. Ms. Itta asked if the subject has been brought up before the Alaska Native Health Board, and Ms. Hilscher said yes. Mr. Guy asked if this would also go to the regional health boards, and Ms. Hilscher said yes.

Mr. Guy asked in those villages where telephone communications are absent at this time, where land acquisition will be necessary, what is the mechanism going to be in acquiring lands for these earth stations. Ms. Hilscher said that that they don't think land acquisition is really going to be involved because they think there is available land. Mr. Guy asked Mr. Pratt the same question. Mr. Pratt said that their (RCA's) experience thus far in the villages is that the village councils or local governmental units usually have feelings about where they want the stations to go. In some cases the angle of the satellite and the dish itself dictate where it has to go. Mr. Guy asked how

5/6/75

the land is acquired, and Mr. Pratt said that they buy or lease SB 149am it. With regard to the Indian Health Service situation, Mr. Pratt said that RCA has made a proposal to the Alaska Native Health Service to install necessary facilities they are interested in in March.

Mr. Pratt questioned why the State of Alaska would build 20 earth stations when the Alaska Native Health Service is capable of contracting.

Mr. Cowper moved to report HCSSB149am out of committee. Mr. Haugen objected. In response to a question raised by Mr. Brown, Mr. Malone said that he believed probably that the language in Sec. 1 of the bill is language would should not appear in an appropriations bill. He thought that a better way of handling that would be to place that as legislative intent in a letter accompanying the legislation. He said that he would think the actual letter of intent for this appropriation is more clearly expressed in HCR 60 which passed the House today. He recommended to the committee that the language in Sec. 1 following "communities" should be struck. This is the language reading "which may not be sold by the state but the operation of which may be delegated for a time certain by lease or other agreement." Mr. Cowper withdrew his motion, there being no objection to his doing so. In response to questioning by Ms. Buchholdt, who wondered about no specifications being given as to who would be contracted with, Mr. Brown said that his understanding is that the state needs a little bit of flexibility. In isolated cases companies operating telephones in rural areas may be better than having to be with RCA. This may not happen, but it just provides the flexibility in case. He said that he was sure the general intent is that most of it would be leased by RCA. There are some places where RCA has nothing, however. MOTION WITHDRAWN

Mr. Duncan moved to amend the Commerce Committee substitute for SB 149am by inserting a period following "communities" on line 12 and delete all addition language beginning ", which may not be" through "or other agreement." on line 14. MOTION

(NOTE: This makes the language the same as that in CSSB 149am with the exception of the \$5,000 figure). No objection, so ordered. Mr. Cowper replaced his motion, also moving that the bill be accompanied by a letter of intent that the satellite terminals shall not be sold by the state. Mr. Malone asked to divide the question, and recognized the first part of the motion, to report the bill (now House Finance Committee Substitute for SB 149 am) out of committee. Mr. Haugen objected. Mr. Guy expressed concern that of the villages on the priority list, none were in Senator Hohman's area although he had sponsored the legislation, and Mr. Guy said that he would like to see that Mekoryuk, Toksook Bay, and Chefornak stations would be implemented. MOTION

Mr. Malone said that he thought that could be handled perhaps in SB149a a letter of intent, and announced that the committee would consider the letter of intent at an 8:00 a.m. meeting tomorrow.

Mr. Pratt had expressed his disappointment over the committee's taking action at this time, as the Chair had indicated that there would be another hearing on the bill before action was taken. Mr. Haugen commented that he had also felt there had been such a commitment made to the other interested party that they would have the opportunity to respond. He also wanted to clear up another point. He has no objection to this type of legislation; in fact, he said that he supports it. However, he did not support the idea of the state doing it. He is completely convinced that the private carrier has gone far enough and even has a penalty clause in their proposed agreement. He did not feel the state is prepared; he stated that they haven't even done the groundwork.

Mr. Malone recognized that he had indicated originally that there would be further testimony, but explained that the legislature was beginning to face a time press. Question was called and on vote, motion carried 8-1, Mr. Haugen dissenting.

Meeting recessed at 5:25 p.m.

RECESS

HOUSE FINANCE COMMITTEE
Thursday, May 15, 1975
7:50 p.m.

All members were present with the exception of Representative Itta. Also present were Representatives Ostrosky, Beirne, and Swanson; Dr. Hood and Mr. Dellenbach of Alaska Methodist University; Mr. Hall of Legislative Affairs; members of staff and press. PRESENT

Chairman Malone called the meeting to order. First item on the agenda was COMMITTEE SUBSTITUTE FOR SENATE BILL 35 am CSSB35am (Relating to public education in the unorganized borough). Mr. Malone said that the HESS Committee had adopted the House Finance Committee Substitute for HB 24 to replace CSSB35am. He suggested doing the same, with the letter of intent that had originally been prepared for HB 24. Mr. Naughton so moved. MOTION No objection, so ordered. Majority report was "do pass."

HOUSE BILL 441 (Special Appropriation to the University of Alaska, AMU purchase) was brought up for consideration. Mr. Malone stated that a great deal of research has been going on since the last meeting. A lot of people have felt that the purchase of AMU was only one of a number of possible alternatives. The Interim Committee on Higher Education has done some work on this, as have members of House Finance. A proposal was distributed to the committee members from the interim committee. HB 441

(Ms. Itta entered the meeting.)

Mr. Gruening explained that this proposal stems from the idea of an option to buy AMU rather than the purchase of AMU. There are two approaches: an option that would allow AMU to continue under some form of tuition equalization; or having the University of Alaska lease on the AMU campus. Ms. Ostrosky was invited to comment on the proposal before the committee (see bill file) from the Interim Committee on Higher Education. She said that she feels it is a healthy option and gives an open-ended way of looking at this, with the possibility of maintaining the dual system of education, private and public.

Mr. Dellenbach of AMU spoke of the emphasis toward keeping private education alive in Alaska. He said that he also recognized the difficulty of making an immediate decision. The figures attached to the Interim committee's statement are figures that he felt both AMU and U of A could accept. This would keep AMU operational. He said that they wanted that \$1850 tuition equalization to put AMU students on parity with U of A students at the Anchorage campus. This will let them compete. He felt that this would

enable them to achieve the 700 FTE's they are aiming for. He HB 441 said that they also feel cross registration would be more equal. He thinks that some students would register at AMU full time rather than the U of A if the tuition was the same. He commented that he hoped the state would fund the nurses and behavioral sciences grant. He said that if AMU is closed there will still be cost to the state. The U of A budget is stripped down to the "bare bones" and he wouldn't be surprised if they came in with a supplemental for next year as it is. The option is \$1,930,000. Because AMU is asking for more tuition equalization than the other private school in the state, they are willing to apply that additional amount of tuition equalization payments to the final payment should the state purchase AMU. They are asking for this additional in order that they will have a competitive advantage in the market for students. He figured the net cost of the program at \$1,470,000, and for that amount the state will get 700 students through one year of college. This, he indicated, is a low cost per student. He also commented that this year would be no means be a dormant year.

Mr. Malone said that the work, investigation, and consideration has gone on primarily because a lot of people are not committed to the U of A purchase of AMU. There are a number also who are not committed to the idea that it is practical and feasible for private education to continue in the state. Perhaps it would be wiser to "buy some time" to study different alternatives and make no commitment except to buy that time, he suggested.

Mr. Haugen asked what would happen if AMU fell back into the same situation as before -- would the prior memorandum of understanding as to the purchase price still hold? Mr. Malone said that he thought Mr. Gruening was working on a document that would spell out the arrangement. Mr. Haugen said that it was his understanding that that was a firm price. Mr. Malone said that is correct. Mr. Haugen asked if the legislature took the alternative being discussed, would that collapse the agreement. He was answered that the memorandum of agreement as such would not hold. Mr. Malone said that as he understands it, not only would the money in the suggested \$1.9 million be counted against the purchase price, but also other monies expended. The intent would be to set at least a maximum price not exceeding that that was arranged by negotiation between AMU and the University of Alaska. Mr. Gruening said that the terms of any option will have to be agreed upon by the Governor and would also be subject to legislative funding. Since the original memorandum of agreement attempted to set reasonable, fair market value as the purchase price, he felt that the same reasoning should be used, the price being fair market value minus certain deductions, such as the option price and perhaps other costs such as tuition equalization. When the purchase price is paid, there is question as to how it is used -- will it leave the state. He said that in the

5/15/75

interim they would want a joint effort, perhaps of the legislature, AMU, and the higher education people. He said that should a third party be interested in buying AMU during this period, the state should probably be given the first chance. If it is sold to a third party, the price of the option could be taken out of that purchase price. The Attorney General would probably be the one to draft a final form of such an agreement. Mr. Gruening said that he thinks the main thing at this point is to get down what costs the state would be looking at; there are some items the state is already picking up -- i.e. the nursing grant. The present amount the state is picking up is \$37,000, so there are some costs the state is already committed to.

Mr. Dellenbach said that in talking about what would apply to the purchase price, their rationale has been this: Inasmuch as tuition assistance has been given in past years and is free to other institutions, and since AMU is providing services to the state, they feel that the tuition assistance should not apply. The same applies for the nursing and behavioral sciences grant. They would, however, be willing to make some consideration for the extra they will be receiving under the higher tuition equalization grants should that become law.

Mr. Malone commented that the intent of the meeting this evening was to discuss this in general terms and didn't feel the legislature would be writing the option. He felt the subject should be discussed in the context of a possible appropriation.

Dr. Hood said that from the standpoint of the Board of Directors of the university (AMU), the university was started for the benefit of higher education in Alaska. The funds they receive will be invested to fund educational programs for higher education in Alaska. It is their stated purpose to use them in this manner. He felt there were some good reasons for trying to keep AMU alive; among them being to keep the university and its programs and faculty alive so that in one or two years there will be a chance to understand the develop alternatives better. It may well be that the best utilization will be as another state institution, Dr. Hood said, or it may be that its best use will be continued private education. He said that he would suggest that if this option plan is accepted that during the interim a committee be set up to study the direction of the university. He commented that there will be a total restructuring of the university, from the top on down. There will be other changes, attempts to restructure programs as well. Another reason to keep AMU alive is the cost of higher education. About \$5.2 million has been spent by the state at AMU since 1969. \$1.9 million was for the sale of some land to the state. AMU

5/15/75

will have afforded education for 700 to 800 students a year HB 441 and he said that subtracting the 1.9 million, this has amounted to a cost to the state of about \$1200 per student per students; deducting the research costs from the U of A, their per student cost is around \$6,000 He expressed the thought that the AMU education is a real "bargain" for the state. He said that there is no alternative that does not require funding, since the U of A would not be able to take on the student load that would be thrust upon them.

Ms. Buchholdt asked Dr. Hood if he anticipates AMU remaining a four year liberal arts school or would they be going into specialized programs instead. Dr. Hood said that right now he thinks there is need for continuation of the four year school in Anchorage. However, he said that they also realize there is a strong need for special programs. What develops will depend largely on the time they have. Ms. Itta asked about restructuring the university. Dr. Hood said that that will partly depend on what they can do physically. They will start with a new president, administrative staff, deans. As for specific programs, he could not elaborate. He spoke of restructuring of the Board of Trustees. It will be a representative board in terms of representation of minority groups. He said that he thinks there will be restructuring in terms of state guidelines. There is also talk of changing the requirement that 51% of the Board be Methodist. That will require action by the Methodist Church, but he said that personally he would welcome such a change. That board (of the Methodist Church) next meets in mid 1976. That would not be able to change, then, until that time.

Mr. Malone repeated that basically, the alternative under discussion is to buy some time. He said that he doesn't know what is the best thing to do. He said that if the legislature could be assured that by next session there would be a final resolution of this question, which ultimately involves the future of private education in the state, he would be willing to buy that time.

Meeting recessed at 8:40 p.m.

RECESS

AFTER RECESS

9:05 p.m.

Mr. Malone called the meeting back to order. He said that most of the committee would endorse the general concept that has been discussed. There is an interest in seeing the option in some sort of printed form at least before taking action on the legislation. He asked Mr. Dellenbach if he thought it possible in the present context of things to develop a skeleton

5/15/75

of such an agreement in a couple days. Mr. Dellenbach said HB 441 yes. They have their attorneys standing by. Mr. Malone thought that the matter would be easier to resolve with such a rough agreement before them, and felt that having something like that would enable the bill to move more quickly. Mr. Dellenbach thought that within the next 24 hours they would be able to have something. Mr. Gruening thought that the refinement of the rough draft should be done with someone in the Attorney General's Office. Dr. Hood commented that he would like to have the input of the full Board of Trustees which will be meeting Saturday. Mr. Malone suggested Mr. Hall of Legislative Affairs also be kept informed as to what the details of the agreement are.

Mr. Gruening asked if following the Board of Trustees meeting Saturday, there will be someone who will be enabled to execute the option, and Dr. Hood said that he would expect the agreement would be along the lines of the proposal that will be developed and that he would expect that someone will be empowered to execute the agreement. Ms. Buchholdt asked if when they write the option, will they be including program direction as well as the purchase option and tuition equalization. Mr. Malone said that he had no plans but that he thought the main emphasis of the option should be to exercise maximum flexibility. He thought the agreement would better be between the state of Alaska and AMU rather than the U of A and AMU.

Mr. Hall commented that in the interest of flexibility, it might be necessary to amend the 1972 memorandum of understanding between AMU and the U of A and to that extent they should be signatories with a separate document. There is one paragraph of that agreement that he thought might be inhibiting to the kind of flexibility that was being discussed. That is a clause that requires AMU to grant use of its facilities to the U of A free of charge. This was a mistake -- they have not done that for the Sitka consortium. It would require the signatures of both parties. He felt that that should be seriously considered. Mr. Malone agreed.

Mr. Gruening mentioned that AMU and the legislature are both up against a time frame. It would take three days to get the bill through both houses. Once the option is drafted and the special appropriation bill submitted to the House that is three to four days. He stressed that they can't take too long coming up with an option.

HOUSE BILL 142 (Alaska Commission on Post-Secondary Education, WICHE) was brought up for consideration. Mr. Malone noted HB 142 that there is an amendment by the HESS Committee and also a proposed committee substitute. Mr. Hall explained that the

5/15/75

proposed committee substitute incorporates the HESS amendment HB142 and makes some technical amendments suggested by Dr. Dafoe of the U of A. Dr. Beirne explained the purpose of the bill further (see memorandum in bill file, page 2.) The bill corrects some miswording, and provides that the executive officer of WICHE be its certifying agent.

Mr. Hall explained the proposed committee substitute. He said that the changes are basically technical corrections. The HESS amendment amends AS 14.40.751 (c) by replacing the word "unexpended" with "unobligated". This is the section providing that balance of appropriated but unobligated (formerly unexpended) funds in the tuition grant fund be transferred to the scholarship revolving loan fund on March 1 of each fiscal year. The language change will make some tuition grants available for use during summer sessions.

Mr. Gruening proposed an amendment which would add architecture and graduate social work studies to the compact. Mr. Gruening said that the compact itself would have to accept the amendment. The bill would not itself do that. Mr. Malone asked Ms. Ostrosky how she felt about the proposal and she said that she viewed it favorably. There followed discussion on the origins of WICHE, with Mr. Haugen expressing some concern that it is being expanded beyond its original purposes, which were for the healing arts.

Mr. Gruening moved that his proposed amendment be incorporated into the proposed committee substitute. No objection, so ordered. Ms. Buchholdt moved to report the finance committee substitute out of committee. No objection, so ordered. The bill report was signed with a unanimous do pass recommendation. MOTIO

Mr. Haugen said that he has considerable interest in this program but was concerned that expansion of the compact would discourage development of certain programs at the universities in Alaska. Ms. Beirne suggested that there be legislative intent accompanying the bill stating that there is no intent to inhibit programs developing in the state. After brief discussion, the concensus was that that was already sufficiently understood.

HOUSE BILL 143 (Regulation of Postsecondary educational institutions) was brought up for consideration. Dr. Beirne pointed out that explanation of this bill is in the memo referred to in discussion of HB 142 (see bill file on HB 142), page 5. This bill contains language suggested by the Federal Trades Commission staff attorney, who stressed its necessity. The bill is aimed at preventing the fraudulent claims made by many mail-order correspondence courses. Alaskans are particularly vulnerable to this type of program. This bill HB 143

5/15/75

will protect Alaskans from this kind of fraud. There is a committee substitute by the HESS committee. Mr. Cowper moved to replace HB 143 with CSHB 143 and report it out of committee. No objection, so ordered. Committee report was signed with a unanimous do pass recommendation. HB 143 MOTION

There was lengthy discussion on the fiscal note. Final determination was made to revise the fiscal note with a LETTER OF INTENT that the fiscal note reflects the difference between the original budget request for this and the and the \$86,000 funding the Governor has provided in SSHB 70. Letter of Intent

HOUSE BILL 144 (Revising the Community College Act) was brought up for consideration. Ms. Ostrosky said that this bill was in the mill in the last legislature. The bill provides criteria for creation of extension centers and community colleges. This includes a feasibility study. The original bill provided for approval by the regents. Under this bill, the establishment of a community college or an extension center may be by the Board of Regents, governing body of a municipality, agency of the federal government, petition of interest citizens in the community, nonprofit corporation or association, Alaska Commission on Postsecondary Education or state advisory council on community colleges, the legislature, or the board. Ms. Ostrosky went through the other changes brought about by this legislation. The bill establishes a central service organization. It provides for dual responsibility for the advisory councils -- they will be policy making with respect to the administrative officer and will act in an advisory capacity to the provost. Mr. Guy raised question on page six, lines 25 and 26 of the HESS substitute, which reads "An outreach program administered through a regional service center has no resident faculty or staff." He was concerned that that language complete eliminates the possibility of someone residing in a village teaching a course. He moved to amend the HESS substitute be deleting those lines. No objection, so ordered. Mr. Guy moved to report out finance committee substitute for HB 144 out of committee. (That being the HESS CS as amended by Finance) No objection, so ordered. Majority report was signed "do pass", with Mr. Haugen voting "no recommendation." MOTION MOTION

There was discussion on the position of Chief Administrative Officer. Committee decided to accompany the bill with a \$25,000 fiscal note and a legislative LETTER OF INTENT stating that the U of A is encouraged in their present reorganization to designate an administrative officer from their present staff to serve as the Chief Administrative Officer. The intent is that a new administrative position not be established. Letter of Intent

5/15/75

HOUSE BILL 433 (Tuition Grant Equalization) was brought up HB 433 for consideration. Mr. Hall mentioned that other sections of the statute will have to be changed, and Mr. Malone said that they would prepare a committee substitute to take care of additional necessary changes in keeping with this bill if it is the committee's desire to report it out of committee.

Mr. Elaine Ramos from Sheldon Jackson Junior College testified in favor of the bill. She attested to the fact that costs have risen and this increase in tuition grants is needed.

There was discussion on how this fits in with the increased tuition equalization for AMU. This will not mean that SJ will get more money than the \$1600 in this bill; it will just provide that AMU will get \$1850. Mr. Gruening moved to amend line 2 of the bill from \$1600 to \$1850. MOTION He noted that the fiscal note will have to be revised accordingly. No objection, so ordered. Committee decided to have a committee substitute drawn up before taking formal action, and also directed the staff to prepare a revised fiscal note and narrative analysis.

Meeting adjourned at 11:15 p.m.

ADJOURNED

HOUSE FINANCE COMMITTEE
Friday, May 16, 1975
9:00 a.m.

All members were present with the exception of Reps. Itta and Buchholdt. PRESENT

Chairman Malone called the meeting to order. SPONSOR SUBSTITUTE HB 70 FOR HOUSE BILL 70 (Budget) was brought up for consideration. Mr. Naughton moved that SSB 70 be replaced with CSSHB 70 and be reported out of committee. No objection, so ordered. Majority report was do pass, Mr. Haugen signing no recommendation. MOTION

HOUSE BILL 503 (Appropriation - Pelican School Construction) was brought up for consideration. The appropriation contained in this bill is \$64,500. Mr. Malone brought up another problem - that being the temporary school facility at Nondalton. Their school was destroyed in a fire last fall. An amount of \$75,000 would upgrade and repair the temporary school facility there. Mr. Guy moved to amend HB 503 by adding an additional amount of \$75,000 to the bill, for that purpose. No objection, so ordered. MOTION
Mr. Duncan moved to report CSB 503 out of committee. No objection so ordered. MOTION

Meeting recessed at 9:22 a.m.

RECESS

AFTER RECESS
3: 50 p.m.

All members were present with the exception of Reps. Gruening and Naughton. Also present were Representative Larry Davis; Don Lowell, Director of the Alaska Disaster Office; and members of the local government of Nome. PRESENT

Chairman Malone called the meeting back to order. HOUSE BILL 267 (Authorization for shortfalls in revenue for extraordinary expenditures of boroughs, cities, municipal utility systems and school districts to meet effects of the Nome Disaster) and HOUSE BILL 268 (Appropriation to Dept. of Admin. per HB 267) were brought up for consideration. HB267 HB268

Mr. Lowell said that there are several pieces of legislation that are critical to the communities affected by the disaster. He went over these bills, pending in other committees. He then went on to discuss the bills under consideration. HB 267, he noted, was reduced by the State Affairs Committee. He said that they have come up with additional costs. Among these is the necessity of purchasing land to build a new city hall on. This will cost about \$150,000.

5/16/75

There will be other additional expenses and funds will be needed in some of the other communities, i.e. Teller and Unalakleet. He said that he would like to see the funding left at its original level, realizing that the state will withdraw \$250,000 that they have already advanced the City of Nome and additionally \$170,000 (recovered out of that by 10% holdback the state will keep on the approved federal applications for financial assistance). Mr. Malone asked about the \$250,000. Mr. Lowell said that because the City of Nome had exhausted their funds, the state advanced them \$250,000 from a federal approved project application. Mr. Malone asked to whom the application was made, and Mr. Lowell said to the Federal Disaster Assistance Administration. Nome was declared a disaster by the President. Mr. Malone asked if that \$250,000 has been advanced to the City of Nome pending receipt of federal grant funds, and Mr. Lowell said yes. At this point the federal government has not approved the project application for restoration of the City Hall, although he said that they know they are going to. These funds have already been spent by the city.

Mr. Small, Utility Manager of Nome, testified that many of the projects they need are not considered eligible. Mr. Malone asked that Mr. Small and the other representatives of the area go over the actual costs involved, which they did. (see list in bill file) Mr. Malone said that it seemed \$1 million should cover any unknown costs, and Mr. Lowell said that he thought that was so. They did want the appropriation made to Military Affairs rather than the Department of Administration in HB 268.

Ms. Itta moved to replace HB 267 with a Finance Committee substitute amending references to "Department of Administration" to "Department of Military Affairs and the figure \$2,000,000 to \$1,000,000, and further moved that CSHB 267 be reported out of committee. No objection, so ordered. MOTION

Mr. Duncan moved to amend HB 268 in the same manner as HB 267 was amended (\$2 million to \$1 million and Admin. to Military Affairs) and to report out CSHB 268. No objection, so ordered. Majority recommendation was "do pass". MOTION

The bills were accompanied by a Legislative LETTER OF INTENT which identified some of the specific costs. Letter of Intent

HOUSE BILL 433 (Tuition Grants) was brought up for consideration. After brief discussion, the bill was moved out of committee. No objection, so ordered. The revised fiscal note is for \$381,600. HB 433

Meeting adjourned at 5:20.

ADJOURNED