

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2578

HOUSE FINANCE COMMITTEE
Saturday, May 17, 1975
9:40 a.m.

All members were present with the exception of Reps. Gruening, Naughton, and Guy. PRESENT

Chairman Malone called the meeting to order. HOUSE CONCURRENT HCR 49 RESOLUTION 49 (Aid to Disadvantaged Persons) was brought up for consideration. Mr. Duncan moved to report HCR 49 out of committee. MOTION No objection, so ordered. Majority report was do pass, Mr. Haugen signing no recommendation.

HOUSE BILL 211 (Administration of State Tax and Revenue Laws) was brought up for consideration. After brief discussion, meeting recessed at 10:00. HB 211 RECESS

AFTER RECESS
1:55 p.m.

Chairman Malone called the meeting back to order, and the committee resumed discussion of HB 211. There was a Judiciary Committee Substitute, which the committee discussed at length. One of the things the committee substitute does is change the penalty section back to a felony rather than a misdemeanor as is provided in the original bill. The bill also has a section which would require interest charge of 8% a year on unpaid taxes. There was quite a bit of discussion on Sec. 43.05.230(d) of the bill, which is the confidentiality section. There was question as to whether the legislative auditor would be able to see the files in order to audit the Department of Revenue under this, and also question as to whether the auditor should be allowed to go into the files at all.

Action on the bill was postponed until a later date, allowing time for further study.

HOUSE BILL 301 (CETA) was brought up for consideration. Mr. Malone HB301 said that this bill takes CETA out of the Department of Labor and puts it in the Office of the Governor. He had a question on the fiscal note. Mr. Barker suggested not attaching a fiscal note to the bill, since it is in the budget. Mr. Malone said that the program is actually approved by the Alaska Manpower Services Council, and asked what their function is. Mr. Barker said that basically it allocates the CETA funds, but in practice it is done by whoever has the most power in the department.

Mr. Malone moved an amendment to HB 211 creating a new Sec. 581 to read "The Governor shall submit as part of the annual budget submission to the legislature a complete program budget for state participation in the Comprehensive Employment and Training Act of 1973 (PL 93-203) as amended." MOTION to be inserted between lines 19 and 20 of page 2. No objection, so ordered.

There were some questions as to the need for creation of this council and there were some unanswered questions on the bill. Mr. Naughton moved to table the bill. Ms. Itta objected. On vote, motion carried. HB301 MOTIO

COMMITTEE SUBSTITUTE FOR SENATE BILL 289 (Enlarging Power of Alaska CSSB Housing Finance Corporation) was brought up for consideration. Mr. 289 Gallagher, Commissioner of Revenue, was present at this time. He commented that SB 289 came out of the Senate without an appropriation. Part of the bill is the mortgage insurance fund equal to 2% of the loans outstanding. The Department has requested \$500,000 from the legislature to do a \$50 million program. In response to questioning by Mr. Malone, Mr. Gallagher said that the secondary market is home loans. Current Presently the program can accomodate only FHA and VA loans. The only place those are found is in the cities. The department wants to expand their program so that it covers areas other than in Anchorage or Fairbanks. Mr. Malone asked what the advantage to the consumer in that type of program is, and Mr. Gallagher said that it is lower interest rate. Mr. Malone asked if they are saying that \$500,000 would be about \$50 million worth of mortgages. Mr. Gallagher said that Alaska Housing Finance will come up with \$500,000 out of their own resources, and with the additional from the state, that would give \$1 million which would take care of the \$50 million. Mr. Malone said, then, that that \$1 million would be the 2% of a \$50 million program, and Mr. Gallagher said yes. He said that he also feels this shows good faith on the part of the state. The money is not lost, he noted; it is sitting there as a reserve. It wouldn't take too many appropriations of this to have a real ongoing organization. He said that within six or seven years they think they will no longer need additional appropriations; it will stand on its own. Mr. Guy asked if the regional housing authorities would be able to borrow under this. Mr. Malone said that currently they would not, but under bills now in the Senate, if they were enacted the regional housing authorities would be able to borrow.

Mr. Malone asked Mr. Gallagher for his thoughts on HB 211 (Admin. HB 211 of State Tax and Revenue Laws). Mr. Gallagher said that it mainly lines up the interest rates on the different programs. As far as exchange of information, Mr. Gallagher said that the state doesn't exchange information with any other state unless they have the same standards as Alaska.

(Mr. Gallagher left the meeting.)

HOUSE BILL 362 (Appropriation - CRA, Head Start) was brought up HB 362 for consideration. Mr. Anderson, prime sponsor of the bill, was present to testify. He said that there is a request from RurAL CAP on this. It has proven to be a very successful program in Alaska. The request is to expand Head Start programs for approximately

200 children. He feels this is a program that is beneficial to HB 362 both rural and urban Alaska. Mr. Guy moved to report HB 362 out of committee. Mr. Haugen asked if there is any local share in this. Mr. Anderson said yes, all of the programs have 20% local effort required. All of the programs that have been started so far have arranged for free rental of buildings, donations of food, equipment, supplies, or things of that nature. It is an in-kind contribution from these communities. Mr. Cowper added that in Fairbanks, the director went without his salary for the last five months and part of the state didn't get paid. There is a lot of local effort, he stated. Mr. Anderson said that he thinks most of the programs far exceed their federal match requirements. After more discussion, question was called and without objection, the motion carried. Majority recommendation was do pass, Mr. Haugen signing no recommendation.

HOUSE BILL 479 (Extending the term of the Bristol Bay Regional Development Council) was brought up for consideration. Mr. Malone said that one of the goals of that was to establish and recommend priorities for short and long term. The sponsor, Mr. Anderson, felt that there was not a sufficient time, should the term end in June, 1975, to establish long term goals, or to use the unexpended funds of the appropriation. HB 480 appropriates the funds for the extended term. There was an interim report that was to be submitted on the activities of this council, it was noted. The staff was asked if it had been submitted, and Mr. Rhode answered yes, and passed a copy around the committee table for the members' perusal. Mr. Malone invited Mr. Anderson's comments. Mr. Anderson said that the council has formed and has been meeting periodically. One of the first things they did was complete an overall needs assessment of the Bristol Bay area. There is a summary of the Bristol Bay salmon fisheries. At their last meeting they made recommendations, two of which were to draft legislation to continue their function so that they would have more time to determine short and long term plans for an economic base other than salmon fishing since it seems to be failing. Mr. Malone asked how many people serve on the council. Mr. Anderson said nine members, 3 commissioners and six public members appointed by the governor. They are all from the Bristol Bay region. Mr. Guy moved to report House Bills 479 and 480 out of committee. Mr. Malone suggested separating the motion, to which Mr. Guy had no objection. Voting first on the motion to report HB 479 out of committee, there being no objections, it was so ordered. Committee report was signed with a unanimous do pass recommendation. Mr. Malone noted that there was a Resources Committee Substitute on HB 480. Mr. Cowper moved to report the CSHB 480 out of committee. No objection, so ordered. Committee report was signed with a unanimous do pass.

Meeting recessed at 3:47 p.m.

RECESS

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AFTER RECESS

4:00 p.m.

Present at this time in addition to the members of the committee PRESENT were Reps. Gardiner, Wallis, Smith and Sullivan.

HOUSE BILL 411 (Land Sale Preferences) was brought up for con- HB 411 sideration. Mr. Malone invited Mr. Gardiner, sponsor of the legislation, to comment. Mr. Gardiner said that the original purpose of HB 411 was to close a loophole in the policy of the state sale of land for people who want to use it for agricultural purposes. Presently a person can get 640 acres for farming and after a year, subdivide it. This section of the law has given preference rights to those people who have farms, but there have been some abuses of this and there probably will be more. HB 411 changes the restriction from 1 year to 30 years. It tightens up the eligibility section to define who the real farmer is, and gives them the preference rights. The Resources Committee made a policy decision that the land should be leased and not purchased. That is why sections 2 and 3 have been added on the bill to conform to the amendment on line 16, which deletes "purchase or". He said that he had no argument with the Resources Committee amendments. Mr. Naughton moved to adopt the Resources Committee substitute and report it out of committee. No objection, so ordered. MOTION

HOUSE BILL 438 (Leasing of State Lands) was brought up for con- HB 438 sideration. Mr. Malone mentioned that the members have an APIRG report on the subject of the bill. Mr. Gardner, sponsor of the bill, was invited to testify. He said that the first section of the bill relates to what the state is getting for leasing lands to various people. The average for private persons leasing is about 10%. This bill provides a 9% minimum for leasing from the state. The state, representing all of the people of the state, should not be getting any less than that land would cost anyone else giving the lease, he felt. He said that he tried to come up with some flexible standard because the leasing of the state land does not fluctuate, but he was unable to come up with anything that seemed reasonable to tie it to. That is why he settled on the 9% flat minimum. He noted that that is quite a bit above the 6% which is what the state is getting now.

Section 2 of the bill, relating to eligible applicants, relates to the fact that there have been some abuses where groups are using the land for commercial purposes. Resources Committee has an amendment here which he said that he likes.

Section 3 of the bill relates to HB 559 which passed the legislature last year. Mr. Gardiner said that the state leases land to someone, and in the contract there is a provision that if the state decides there is going to be a road, the person will be compensated for the improvements on the land or agricultural costs. Under HB 559, the

state would have to reimburse for the full value of the land as if the person owned it. The problem with this is that the state leases land cheaply to people and then when the state needs the land for right-of-way, it costs a great deal and there exists a discrepancy between what the state leases land for and what it has to pay to get it back. The Resources Committee substitute went even further than Mr. Gardiner's original bill. It repeals the whole section of the law and goes back to the original policy. He thought that his bill was perhaps an attempt to be a little more fair, but he was definitely opposed to what is going on now.

HB438

After further discussion and testimony by Resources Committee members, Mr. Duncan moved to replace HB 438 with the Resources Committee substitute and to report CSHB 438 out of committee.

MOTION

Mr. Smith proposed an amendment to the committee providing that the land be leased only to those organizations whose rolls are open to the general public. Mr. Gardiner commented that one of the problems with that is that Natural Resources has to interpret the law, and there are some areas that would be hard to distinguish. For example, he didn't think that unions or such groups as that are really meant to qualify and yet could be interpreted to qualify under such a provision. Other organizations, such as boy and girl scouts, might technically be considered exclusive and so interpreted as not being open to the general public. Ms. Sullivan raised question on page 3 of the committee substitute. She felt that by excluding surveys and roads from land improvements, in outlying areas that would be excluding what are really substantial improvements. She felt that inclusion of that clause would force people to build, in order to have improved the land, and she wondered whether the legislature really wanted to force people to do that. She felt it would be preferable to have roads recognized as substantial improvements and said that she thought it would be in the best interest of the state to do so. After continued discussion on the motion, it carried without objection. The committee report was signed with a unanimous "do pass" on the committee substitute.

Messrs. Boetsch and Gallagher were present at this time. HOUSE BILL 211 (Administration of state tax and revenue laws) was brought up again for consideration. Mr. Malone brought Mr. Boetsch up to date on some of the committee questions on the measure. Mr. Boetsch stated that one thing the bill does is include members of the Multi-State Tax Compact among those with whom information may be exchanged. There is a restriction, though, that provides that this information be exchanged only for purposes of tax law enforcement.

Mr. Malone said that another question was that of auditing the department. Basically, he said, the question was how would an audit be performed on the maintenance of collection of taxes due if there was no way to compare the taxes due with the receipts. Under the bill

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no exception is made to include anyone but the Dominion of Canada, HB 21. the federal government, members of the Multi-State Tax Compact, and agencies associated with these. Mr. Boetsch said that he thinks there is an Attorney General's opinion now that says regulations and procedures could and should be adopted in order to provide for that confidentiality of tax records is maintained. The Attorney General issued an opinion in one case stating that for purposes of audit, the Department itself should set up proper procedures to safeguard that information and that for other purposes, that information should still not be used. He thought that this should be included in HB 211. Mr. Peska was asked to comment, and he stated that this present Budget and Audit Committee has established regulations that will restrict documents considered as confidential to a "need to know" basis. He agreed that they should not be made public; however, he still felt that some provision should be made to provide that audit staff could go in as long as the information was not used to cross check against other programs, i.e. welfare records.

Mr. Cowper said that he thought there should be an amendment to omit lines 9 to 14 on page 2, section (b). Mr. Boetsch said that (b) is presently in the statutes, except for the language in (2). Mr. Cowper said that he didn't feel the language was necessary. Mr. Gruening said that he thought the problem might be alleviated by adding the words "unless authorized by the tax payer". Mr. Boetsch said that he didn't know what the effect of Mr. Cowper's proposal would be. He said that from the department point of view, the returns are inviable. The committee decided to check with the Department of Law on this.

HOUSE BILL 448 (Relating to a loan to ASHA for a mobile home park at Fairbanks) was brought up for consideration. Mr. Parr was present at this time. He spoke of the housing problem in Fairbanks. HB 448 and HCR 52 both relate to this. The proposal in this bill is that ASHA will sell the bonds and repay the state. There will be \$5 million available and with that ASHA will put a 200 unit mobile home park on state land in Fairbanks. The reason for the mobile homes, he said, is because the problem requires immediate action. He commented that the people being hurt are the long time Fairbanks people who are not profiting from the Pipeline. HB 449 is an enabling bill which, if enacted, would enable the legislature to go into this kind of project in the future. HB 475 is Mr. Bradner's bill and was written to provide rent subsidies for low income people. Mr. Parr commented that the only people objecting to his bill (HB 448) have been the people who run private parks and are concerned about competition.

There was considerable committee discussion. One concern that was expressed was that even with these homes being put in, the monthly costs including the space rental could be very high for persons on

low and/or fixed incomes. There was considerable committee discussion and interest expressed. The decision was made to research the subject further, with appreciation given to Mr. Parr for his work in coming up with a possible answer to the housing crisis. HB 448

HOUSE BILL 475 (Emergency Rent Subsidy Program in Impacted Areas) HB475 was brought up for discussion. Mr. Cowper commented that although he is anxious to see something done about the housing problem, he does not want to see the state getting into the rent subsidy business. Mr. Gruening agreed, noting that in essence this could become a program of subsidizing the rent "gouger". This seemed to be the consensus of the committee.

Meeting adjourned at 6:35 p.m.

ADJOURNED

HOUSE FINANCE COMMITTEE

May 18, 1975

9:25 a.m.

All members were present. Also present were Representative Parr and Representative Smith. Present

The Chairman called the meeting to order.

Representative Malone announced to the Committee that all bills dealing with emergency housing in Fairbanks would be deferred until the following day. He stated that committee substitutes for HB 448 (Loan to ASHA for Mobile Home Park at Fairbanks) and HB 449 (Emergency Housing Construction by ASHA Directed by Legislature) were being prepared and would basically follow the general guidelines set out by Representative Parr's legislation; however, the committee substitutes would deal with finding mechanisms to provide money directly to the people to install the mobile homes, or have the State buy them outright (rather than the Alaska State Housing Authority).

HB 448
HB 449

The Committee then considered HOUSE BILL NO. 408 (An Act relating to acquisition and other development of outdoor recreational, open space, and historic properties). Representative Smith informed the Committee that HB 409 (Issuance of General Obligation Bonds of \$50,000,000 for the purpose of paying the cost of acquiring and otherwise developing outdoor recreational, open space, and historic properties) was a companion bill to HB 408, which would be considered at a later date. Rep. Smith stated that he was in the process of drafting a committee substitute for House Bill 441 which would dedicate funds to this. The program in HB 408 is designed to tie in with the Federal land and Water conservation program and the historic preservation fund which grant 50% of the development cost. Rep. Smith said HB 408 provides a mechanism for loans for operation payments on land acquisition. The Greater Anchorage Area Borough had designated several areas for outdoor recreation, but by the time their project proposals have been cleared, property owners have already sold the property to others. The bill also creates an Alaska Park and Recreation Council; members: lieutenant governor, state liaison officer and one representative of each locally based member organization. The Council already exists "informally" but the bill provides for it statutorily. There are five community councils at present which have been working with RURALCAP.

HB 408
HB 409
HB 408

Representative Smith referred to the interagency committee composed of state and federal agencies having park and recreation functions to serve in an advisory capacity to the council. He stated that the Finance Committee might wish to amend the bill by deleting the words "and interagency committee" from Page 4, lines 18 and 19; this section deals

with compensation for travel and per diem, and these expenses will be covered through existing agencies for those members on the interagency committee. Representative Smith then stated that they are not talking about any general funds to fund the program.

Representative Naughton referred to the fiscal note for HB 408 and asked Representative Smith to explain "technical assistance travel". Representative Smith replied that they would attempt to establish more community councils in order to make the Park and Recreation Council of the State more representative of the State as a whole.

Representative Buchholdt asked Representative Smith if he thought the Council might become more political because of the involvement of State agencies. Representative Smith said this might be possible, but \$3 million from the federal government will be allocated to the program and someone on the Council would have to have a genuine interest in the program to evaluate projects.

Representative Gruening moved and asked unanimous consent that the Finance Committee amend HB 408 by deleting the words "and interagency committee" from lines 18 and 19, Page 4. No objection, so ordered.

MOTION

Representative Gruening moved and asked unanimous consent that the Committee report out HB 408; no objection, so ordered. The Committee report was signed as follows: "recommending that HB 408 do pass with attached amendment, Haugen, Gruening, Duncan, Buchholdt, Itta, Malone. Representatives Guy and Cowper were absent.

MOTION

The Committee considered CSSB 24, An Act relating to community mental health services.

CSSB 24

Representative Duncan pointed out to the Committee that \$800,000 had been appropriated in the budget for FY 76 for mental health. Representative Malone stated that this bill provides for the first major change in mental health statutes since 1959. The bill provides for comprehensive services; plans and regulations adopted under the bill shall allow local community mental health programs may be joined with other programs such as mental retardation programs, drug abuse programs, alcoholism programs and comprehensive mental health services programs. The Department of Health and Social Services shall adopt regulations to assure patient rights and to safeguard the confidential nature of records and information about the recipients of service. The regulations also provide requirements for local community entities to develop and include in any plan submitted for approval adequate provisions for safeguarding confidential information. The department's regulations shall provide for disclosure of confidential information to mental health professionals providing services to a recipient and to other

appropriate service agencies when it is in the defined best interests of the patient.

It was noted that the bill creates a Mental Health Advisory Council. Representative Malone pointed out that (CHAC) a Comprehensive Health Advisory Council already exists. Representative Itta stated that CHAC's FY 76 budget consists of a coordinator for different projects; the House Finance Subcommittee on the Health budget added to the coordinator's duties by having that person look for ways of putting mental health, alcoholism, etc. under one umbrella. Representative Malone stated that CSSB 24 permits continued fragmentation of health efforts; he added that he was against creating yet another board, or commission.

Representative Buchholdt stated that the Legislature should outline the different planning groups in health which already exist to see which are actually necessary. She said that memberships of the boards, commissions, and councils are composed of the same persons.

Representative Itta suggested putting the duties of the proposed Mental Health Advisory Council under CHAC. Representative Naughton said that someone on the local level should oversee the board. Representative Haugen pointed out that the program originally began as 100% federally funded with the understanding that it would be taken over locally. He said that Ketchikan and Kodiak are organized as local health districts are well staffed and carrying out their duties well and providing excellent service.

Representative Malone referred to PL 93-641 and said that the Mental Health Advisory Council is not required by federal law. Mr. Barker pointed out to the Committee that CSSB 24 does provide for local government boards. Representative Buchholdt stated that while they have the local councils, the decision makers are on the top -- on the state level.

Representative Malone moved and asked unanimous consent that the Committee delete Sec. 47.30.605 from the bill (the section provides for the Mental Health Advisory Council). (Page 7, Lines 1 -26). No objection, so ordered. MOTION

It was suggested and so moved that the deleted Section 47.30.605, providing for a Mental Health Advisory Council, be replaced with a new Sec. 47.30.605, stating that "the Statewide Health Coordinating Council, created by PL 93-641, shall be the statewide organization to advise and assist the department in developing and implementing community mental health services." Unanimous consent was asked. Representative Gruening objected and withdrew his objection; no further objection, it was so ordered. MOTION

Representative Duncan stated that before the Committee repealed statutes dealing with the Comprehensive Health Advisory Council (it had been suggested during the meeting), more thought

and research should go into such a proposal to ensure that duties of CHAC are being covered by another council or organization. Concern was expressed regarding the Hill Burton funds and decisions.

Representative Duncan moved that the Committee report out CSSB 24 as amended by the Committee.

Representative Guy moved to add under the definitions section, a definition of local communities; following discussion, Representative Guy was satisfied that the bill already provided for a concise reference to local communities, and he withdrew his motion.

Discussion followed regarding a revised fiscal note for CSSB 24 in accordance with the House budget on community mental health centers.

Representative Malone moved to amend further CSSB 24 by adding a new section 47.30.615 to read: "AS 18.07 is hereby repealed; however, the Comprehensive Health Advisory Council should continue to carry out its functions as a transitional measure until the establishment of a Statewide Health Coordinating Council as provided by PL 93-641." Representative Duncan objected. The question was called for, and the vote was as follows:

MOTION

Yeas: Malone, Gruening, Naughton, Itta, Guy
Nays: Haugen, Duncan

And so, the motion carried.

Representative Duncan renewed his motion to report out the House Committee Substitute for Senate Bill 24 and asked unanimous consent; there being no objection, it was so ordered.

MOTION

Chairman Malone asked that Representative Itta prepare a revised fiscal note and a letter of intent to accompany the bill onto the floor. The fiscal note (revised) would specify the figure of \$826.7 which is the House version of the FY 76 budget for Community Mental Health Centers. A breakdown by community was also provided (SEE BILL FILE FOR COPIES OF THE LETTER OF INTENT, AND REVISED FISCAL NOTE).

The Committee considered SB 171, An Act terminating the Alaska State Mortgage Association.

SB 171

Representative Haugen moved that the Committee report out SB 171. Representative Duncan moved that the Committee amend SB 171 by adding a new section which would repeal the Rural Affairs Commission. Representative Itta objected and stated that the House Finance Committee had finally appropriated \$19,000 in the FY 76 budget for the Commission with the idea that the Governor would have a chance to see what could be done to improve the Commission.

MOTION
MOTION

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Representative Haugen pointed out that the Commission had been established to work on the Native Land Claims bill, and now the Commission does not serve a purpose anymore. Representative Guy disagreed and said that the Commission is not confined to the settlement Act. There are many things which must be acted upon in rural areas. The Commission will become more active during the next year.

The question was called for (adding a section to repeal the Rural Affairs Commission), and the vote was as follows:

Yeas: Cowper, Duncan, Haugen, Buchholdt
Nays: Malone, Itta, Guy, Gruening

And so, the motion failed.

Representative Haugen renewed his motion to report out SB 171 and asked unanimous consent; no objection, so ordered. All members signed the Committee Report recommending that the bill do pass.

MOTION

Representative Malone then stated that because members of the House Finance Committee served only on the Finance Committee and no other standing Committees in the House of Representatives, the Finance Committee members should be extended the courtesy of introducing any bill by the Committee. He stated that after 45 days, a member of the House cannot introduce a bill under his or her own name.

COMMITTEE
POLICY

It was so moved that the Finance Committee members be extended the courtesy of introducing a bill by the Committee. All members present were in favor of the policy, which would carry on through the second session of the Ninth Legislature.

MOTION

The Committee considered CSSB 181 an act relating to loans for the construction of hatchery facilities.

CSSB 181

Representative Naughton moved that CSSB 181 be reported out of Committee; he asked unanimous consent; no objection, so ordered. All members signed the Committee Report recommending that the bill do pass.

MOTION

The Committee considered SB 289, an act enlarging the purposes and powers of the Alaska Housing Finance Corporation.

CSSB 289

Representative Cowper said that P.E.R.S and the T.R.S. (retirement systems) should be permitted to buy these State veterans' mortgages from the General Fund before mortgages are sold to another buyer, such as the Alaska Housing Finance Corporation.

General discussion followed, and Representative Haugen moved that the Committee report out CSSB 289 and asked

MOTION

unanimous consent; no objection so ordered. Committee members signed the Committee Report as follows: (recommending that the bill do pass) were Buchholdt, Itta, Duncan, Naughton, Haugen, Gruening, Cowper, Malone; (not concurring in the Majority Report) Representative Guy, who signed "no rec."

A letter accompanying the bill was to be written as follows: (House Finance Committee Report on CSSB 289) "It is the intent that the State should provide the Public Employees Retirement System and the Teachers Retirement System funds with an opportunity to purchase State veterans' mortgages from the General Fund before selling the mortgages to another buyer, such as the Alaska Housing Finance Corporation." The rationale is that these investments, even if they may only be purchased at market value, should be retained as a benefit to the people of the State in some manner; this alternative is only offered if the Governor decides to sell the mortgages that are now assets of the General Fund. The legislature does not recommend selling General Fund assets at a loss.

The Committee then considered CSSB 310(am), relating to leaves of absence for auxiliary members of armed forces.

CSSB 310(am)

Representative Malone stated that the Department of Military Affairs had not concurred with the Senate Finance Committee's version of the bill.

Representative Duncan moved to report out CSSB 310(am) with a House Committee Substitute which would be identical to the Governor's original bill (the Committee Substitute was introduced by the State Affairs Committee of the House). Representative Duncan asked unanimous consent; no objection, so ordered. The Committee Report was signed by all members recommending that CSSB 310(am) be replaced with House Committee Substitute for and that the House Committee Substitute do pass.

MOTION

The Committee considered CSSB 344, a special appropriation for facilities for the mentally retarded (\$200,000 for Hope Cottage, \$250,000 for St. Judes).

CSSB 344

Representative Cowper stated that while the St. Jude facility for Southeast Alaska may be a necessity, he wished to see more information before the Committee took any official action on the bill. Representative Cowper asked that the following information be provided: (1) who owns the property where the St. Judes facility will be constructed; (2) where is the property located; (3) what was the purchase price of the property; (4) from whom was the property purchased.

The Committee decided to hold this bill in the file until such time as answers to Representative Cowper's questions were provided.

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Representative Buchholdt asked that information be provided as to why the Senate Committee Substitute had added \$100,000 to the original \$100,000 figure for Hope Cottage.

The Committee briefly discussed SB 78(am), a special appropriation for payment of miscellaneous claims. Representative Naughton said that \$10,175.55 should be added to settle a claim of Mr. Wilson Potterville for personal possessions lost in a fire involving a State housing unit at a remote site where the family lost everything it had. Representative Naughton stated that Mr. Potterville was working for the Department of Fish and Game.

SB 78(am)

Representative Malone said that there are more changes in the bill, and asked that SB 78(am) be deferred until the next day. Representative Malone would prepare an up-to-date list of all claims which could be incorporated in the House Committee Substitute.

Representative Buchholdt requested that the Committee consider HB 512 during the next day's meeting; Representative Itta requested that the Committee consider HB 310 the following day.

There being no further business at this time, the Committee adjourned at 12:05 p.m.

Adjourn.

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HOUSE FINANCE COMMITTEE
Monday, May 19, 1975

All members were present with the exception of Rep. Cowper. PRESENT

Chairman Malone called the meeting to order. SENATE BILL 78 AM SB 78am
(Special appropriation - miscellaneous claims) was brought up
for consideration. Mr. Naughton moved to amend the bill by adding MOTION
between lines 18 and 19 "Department of Fish and Game, Claim of
Wilson Potterville \$10,175.55; and between lines 23 and 24,
"Department of Health and Social Services, late billings
\$12,375.51, for a new total of \$67,553.16. No objection, so ordered.
Mr. Naughton moved to report out a Finance Committee substitute MOTION
incorporating the amendments. No objection, so ordered. Com-
mittee report was signed with a unanimous "do pass".

Meeting recessed at 9:50 a.m. RECESS

AFTER RECESS
1:40 p.m.

All members were present with the exception of Reps. Duncan and PRESENT
Cowper. Also present were Mr. Van Houte, Mr. Bill Spear, Deputy
Commissioner of Labor, and Mr. George Haynes, Deputy Director of
Manpower Development.

Chairman Malone called the meeting back to order. HOUSE BILL 17 HB 17
(Trapping cabin permits) was brought up for discussion. Mr.
Malone said that according to the fiscal note, it is estimated
that the first year would cost \$12,000 to implement. The original
sponsor has requested that it be brought up.

Mr. Gruening moved to replace the bill with the committee substi- MOTION
tute and to report it out of committee. He said that these cabins
are being built anyway; he thought that maybe this will give some
control over it. He commented that often these cabins save lives.

(Mr. Duncan entered the meeting.)

Mr. Guy objected for purposes of amending the bill. He moved to MOTION
amend the bill by adding the language "or the authorized representa-
tive of the director;" on line fifteen following the word "lands".
Mr. Malone said that normally that would not be specified - the
director would still be able to have someone else perform his/her
functions without such specific language. S/he is responsible but
does not have to do it. Mr. Guy withdrew his motion. WITHDRAWN

There was no objection to the main motion, and so it carried.
All members signed the committee report do pass.

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HOUSE BILL 274 (Special Appropriation - Office of the Governor) HB 274 was brought up for consideration. Mr. Malone said that he didn't understand the fiscal note. This is supposed to be a pilot project, so the projection on the fiscal note doesn't mean anything. (The appropriation is for a winter firefighting pilot project.) This is in conjunction with HCR 33, he noted. Mr. Duncan moved to report the bill out of committee. MOTION No objection, so ordered. Majority report was signed "do pass", with Mr. Haugen signing "no recommendation".

HOUSE BILL 284 (Relating to Alaska Incentive Taxes and Tax Credits) HB28 was brought up for consideration. Mr. Malone said that there are a number of companies who applied for and received approval some time ago who never did anything. The ones with exemptions now would continue until the exemption runs out under this bill, but there would be no new tax exthere would be no new tax exemptions. Mr. G the bill out of committee. No objection, so ordered. Majority report was do pass, Mr. Haugen signing no recommendation.

HOUSE BILL 301 (CETA) was brought up and it was noted that the bill had been tabled. Mr. Haugen moved to remove HB 301 from the table. HB 301 MOTION No objection, so ordered. Messrs. Spear and Haynes from the Department of Labor were present at this time. Mr. Spear said that the department views this bill as basically a housekeeping bill. It takes into account the fact that the federal method of funding types of programs that come under this were formerly funded by MDTA and are now funded by CETA, which is generally a revenue sharing type of program by which the federal government gives money to the state which then distributes it to different vendors, many of which are state agencies and some are vocational education vendors. He said that they view the bill as a charter for the Manpower Services Council. This is made up of concerned citizens who have taken an interest in manpower matters and they look over programs, hear testimoney, ask questions. They are required by federal legislation to advise and recommend to the Governor various approaches they think should be taken. They have no real power.

Mr. Malone asked what the funds used under CETA are. Mr. Spear said that the theory of how it works is that the state puts together a plan of how it thinks manpower problems should be addressed. This plan is sent to the Feds and they have to approve it. Mr. Haynes said that there are 7 titles to the CETA Act. One is essentially training programs of any kind -- classroom, OJT; II is what used to be called PEP and is now called the Public Service Program, which puts people to work in public or private non-profit jobs; III is the special considerations of the Secretary, including NYC, Operation Mainstream; VI is the Emergency Employment Act to relieve areas of

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high unemployment. CETA took a lot of little programs and put them under one Act, letting the states develop programs. It is revenue sharing under a block grant system. Mr. Spear said that he regards this board as basically a consumer oriented board. Mr. Malone asked how much flexibility exists under the CETA program for the development of different types of manpower programs within the state. Mr. Spear said that he thinks there is ultimate flexibility. That is the whole thrust of the program -- to allow states to look at their own state problems. The old categorical programs tended to treat all jurisdictions the same. This will be completely flexible and they will be able to develop the program anyway they want. Mr. Malone asked how much money the state is anticipating on an annual basis, and Mr. Spear said that he would say for Titles I, II, and VI, about \$7 million, and the Pipeline Impact budget is \$1.6 million matching money

(Mr. Malone left the meeting.)

Mr. Haugen told Mr. Spear that he thought the concern of the committee is that the Finance Committee never sees a budget. He asked if it is possible to get that broken down in the future. Mr. Spear said that he would be glad to provide all the members with information on where the money is going. In addition, he invited the members to attend Manpower Services Council meetings taking place in their own communities. They go over the proposals very thoroughly. Their recommendations, although they have no power, are considered strongly. Mr. Haynes said that he can give the members the Comprehensive Manpower Plan which has the budgets in it. Mr. Spear said that it has been difficult to put this together in laymen's terms.

(Mr. Cowper entered the meeting.)

In response to questioning, Mr. Haynes said that they have been training people in the shortage occupations. Mr. Spear said that one of the problems with any of the program grants is that their success depends on having jobs and places for the people to go. The 1976 plan calls for a lot of non-Pipeline training.

(Mr. Malone re-entered the meeting.)

Ms. Itta pursued questioning on the matter of training and placement. She was concerned about the possibility of people being trained for positions when there are no openings in that particular field. Mr. Haynes said that they have had problems in the past. They are not having problems with placement now. Out of 716 placements on the Pipeline, 595 people were job ready, the remainder were trained. Ms. Itta said that she wanted to know why there was no breakdown on the programs in the budget. Messrs. Spear and Haynes both thought there had been. Mr. Malone said that basically, the funds

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for this year were zeroed out for those areas where there was no explanation of figures, but the authority was given to come in with RP's when budgets were prepared. Mr. Spear said that the Commissioner and comptroller were handed the budget for these areas. Mr. Malone said that he wanted to make it clear that the committee is not attempting to prevent use of the funds, but is just requiring some explanation. They had no such explanation for a significant portion of the funds. HB 301

Ms. Buchholdt asked about the make-up of the statewide council, particularly referring to a statement Mr. Spear had made about it being consumer oriented. Mr. Spear said that he was saying that he thought it should be a more consumer-oriented board, where members of the public are more able to come in and understand what is going on. He said that frankly he thinks the board now has a good number of "vendors" in its ranks, and he said that he is not sure that that is a good idea. Up until now the only representative of the client population has been Roger Lang.

Mr. Malone reminded the committee that the bill had been amended in an earlier meeting (May 17, 1975) by the addition of a new section reading "The Governor shall submit as part of the annual budget submission to the legislature a complete program budget for state participation in the Comprehensive Employment and Training Act of 1973 (PL 93-203) as amended." Mr. Haugen moved to report a committee substitute incorporating the amendment out of committee. No objection, so ordered. Majority recommendation was do pass, Mr. Naughton signing no recommendation with the note that he wished to wait for code federal regulations.

HOUSE BILL 220 (Appropriation for camping facilities in the Chena River Recreation Area) was brought up for consideration. Mr. Malone noted that there is a fiscal note on the bill. Basically \$7500 is in the appropriation for planning and \$67,500 is from the general fund and an anticipated \$75,000 from federal receipts for development of the facilities. Unexpended general fund monies would lapse at the end of the fiscal year if federal funds failed to materialize. Ms. Buchholdt asked where the federal receipts come from, and Mr. Grogan said out of Bureau of Outdoor Recreation funds. Mr. Naughton noted that there is a problem with the effective date. Mr. Malone agreed. Mr. Duncan moved to amend the bill by adding the language "Notwithstanding the provisions of AS 37.25.020, the unexpended balance of this appropriation shall lapse into the general fund June 30, 1976." at the end of Section 1. No objection, so ordered. Mr. Gruening moved to incorporate the amendment into a committee substitute and to report the committee substitute out of committee. No objection, so ordered. Committee report was signed with a unanimous "do pass". MOTION MOTION

Meeting recessed at 2:56 p.m.

RECESS

AFTER RECESS
3:32 p.m.

All members were present with the exception of Mr. Haugen. Also PRESENT present at this time were Messrs. Van Houte, Monte Lyons, Mark Salenberg, Bob Gates, all representing different employee groups.

Chairman Malone called the meeting back to order. He announced that the subject at hand was Retirement. There are several bills on retirement. He noted that the costs of all the bills are just too high given the financial difficulties of the state. He felt that the committee needed to decide how much to spend on retirement in the state this year. He then invited testimony from those present.

Mr. Van Houte, lobbying for the teachers, said that he recognized the financial limitations. One of their (NEA) priorities was the cost of living adjustment (\$5.8 million). Some of the other bills are less expensive. CSSB 46 is an important bill from their point of view. It provides for age 55 retirement, and retirement after after 20 years of Alaska service. The total cost of that is \$650,000. HB 363 is a bill which provides for medical insurance coverage for retired public employees and retired teachers. Providing medical insurance would ameliorate some of the problem involved in the cost of living. SB 380 is a bill they wish to see passed, which has no cost factor. HB 121 would cost about \$5,000 (credit for military service). Another bill is HB 149, providing for people who have previously retired with a minimum amount. This would increase the minimum amount. Ms. Buchholdt asked what their priorities are. Mr Van Houte said that the cost of living is their highest priority. Next is HB 363, relating to medical insurance. Third would be CSSB 46, the change in retirement age and years of service.

SSHB 64 (Public Employees Retirement) was discussed. Messrs. Lyons and Salenberg testified in favor of the bill. There was much talk about the lack of specifications in the bargaining agreement signed by the APEA and the Governor. Messrs. Lyons and Salenberg attested to the fact that this bill is a very high priority with the employees. They distributed some materials to the committee giving an idea of costs involved in the proposal. Mr. Gates pointed out that the material does not consider raising the employee contribution, which would mean the state expense would not be quite as high.

Meeting recessed at 4:40 p.m.

RECESS

4:55 p.m.

AFTER RECESS
4:55 p.m.

Committee met to discuss the general fund balance of the state and what monies have been committed so far.

Meeting recessed at 5:15 p.m.

RECESS

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AFTER RECESS

7:30 p.m.

All members were present with the exception of Representatives PRESEN
Itta and Duncan. Also present were Representatives Anderson and
Davis, Don Cloxson, Don Kemp, and Marsha Hubbard.

Chairman Malone called the meeting to order. First item on the agenda was HB 393 (Assistance to Aged, Blind and Disabled). Mr. HB 393 Anderson, prime sponsor of the bill, was invited to comment. Mr. Anderson said that the problem addressed by HB 393 was brought up by Johnny Nicholson, a fisherman, who noted that the state reduces its payments when Social Security goes up. Mr. Malone noted that the increases provided by the federal government as a result of COLA are not passed on to recipients, since the payments under these categorical programs are reduced accordingly under the current law limiting them to \$250 per month. The committee substitute by the HESS Committee removes that limitation and makes it retroactive to July 1, 1975. Right now COLA by the federal government will only result in reduction of the state's support. Mr. Malone has had a Finance Committee substitute drawn up which raises the level of need in addition to what the HESS bill does. Ms. Hubbard explained the bill, which has three purposes: removing the \$250 maximum, since it does not represent the needs level; establishing a needs level according to Title XVI SSA; and retroactive payment to the recipients of \$9 per month to July, 1974. The Finance Committee substitute is the same as CSSB 219. (see bill folder for supplemental journal report on that bill) Mr. Cloxson added his testimony to that of Ms. Hubbard, noting that the first problem is that insufficient money is being provided to the needy blind and disabled in the state and the second is that the state is reducing its payments by the federal increases. The HESS substitute corrects this. The Finance substitute goes one step further and is the most of expensive of the bills. There was further discussion, nothing being resolved at this time.

SENATE BILL 309 am (Legal maximum assistance for AFDC) was brought up for discussion. Mr. Malone noted that this is a Governor's SB 309 bill. It raises the maximum amount of assistance for parents with a child under 18. Right now there are different assistance levels for children between 13 and 18 than for those younger. Mr. Kemp said that the bill repeals the 13 to 18 category, and provides that for a parent and one child under 18 the maximum is \$300. The maximum for a parent with one child under 13 has been \$250, with the maximum for a parent and one child aged 13 to 18 has been \$300. The Senate amendment to the bill, deleting sec. 2 of the original bill was done at the request of the department. The upper limit legal maximum payment was a compliance issue, but the issue has been resolved and corrective legislation is not needed. Mr. Cloxson noted that the present statute, providing for different levels of assistance, is not in compliance with federal standards

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and could result in the loss of substantial federal money if corrective legislation is not passed. SB 309

HOUSE BILL 465 (Appropriation - Education, Vocational Education HB 465 Teacher Training) was brought up for discussion. Mr. Cowper questioned the necessity of such training. Commissioner Lind was present to testify at this time. He said that the reason for the bill primarily is that at the present time the U of A does not offer much in the way of preparation for vocational education teachers. There is a need for vocational education teachers in the state. Mr. Cowper questioned the need for formal teacher training, but thought that a person competent in their field would be able to do adequately. ■.

He felt that the teacher training was very important. There was discussion on the type of program being considered, which he felt was very innovative and would be most beneficial to the state.

SENATE BILL 73 (Boarding school costs of secondary school students) SB was brought up for discussion. Dr. Lind said that the boroughs or cities that have students residing in isolated communities within those boroughs have a difficult time providing boarding home costs if it is necessary to have boarding home arrangements for the students. There are three boroughs involved: North Slope, Kodiak, and Kenai. The state picks up these costs for the unorganized borough. The fiscal note provides for 50% state participation for these boroughs. Ms. Itta moved to report SB 73 out of committee. No objection, so ordered. The committee report was signed with a unanimous do pass recommendation. MOTION

Meeting adjourned at 9:30 p.m.

ADJOURNE

HOUSE FINANCE COMMITTEE

May 21, 1975

8:05 p.m.

All members were present with the exception of Representative Present
Guy.

The Chairman called the meeting to order.

The Committee considered HB 393, An Act relating to assistance HB 393
to the aged, blind, and disabled.

Representative Naughton moved that the Committee report out MOTION
HB 393, with a Finance Committee Substitute.

Representative Malone informed those present that there are 3,150 eligible applicants under the three categories of assistance, plus an additional 795 people eligible for Medicaid under the new level-of-need standards. He said this would result in direct increase of payments to these people with an average cost of about \$1,600/eligible individual. Mr. Malone said that the Medicaid provision is not retroactive under the bill; only the categorical assistance is retroactive. \$108/year multiplied by 3,150 applicants equals \$3,062.2. In the fiscal note, \$454,300 of general fund money has been incorporated for covering the longevity bonus waiver. Representative Malone said that the fiscal note for the bill will be revised downward by the costs to cover the longevity bonus waiver; it would be a Committee decision that the Alaska Longevity Bonus Waiver would continue. The total FY 76 funding would then be \$3,233,700 (\$2,607,900 General Fund, \$625.8 Federal). There being no further discussion, Representative Naughton renewed his motion and asked unanimous consent; no objection, so ordered. The Committee Report was signed as follows: (Recommending that HB 393 be replaced with the Finance Committee Substitute) Buchholdt, Naughton, Guy, Gruening, Cowper, Malone, Duncan; Representative Haugen signed "no rec".

The Committee considered HB 441, a special appropriation to the HB 441
University of Alaska, option to purchase AMU.

Representative Gruening moved and asked unanimous consent that MOTION
the Committee report out HB 441 with a Finance Committee Substitute changing the appropriation to \$2,300,000; no objection, so ordered.

Representative Malone asked that Representative Gruening prepare a letter of intent to accompany the bill onto the floor. A revised fiscal note would also be prepared, based on 500 full-time students for Alaska Methodist University.

(See next page for House Finance Committee Report.)

There being no further discussion at this time, the Committee ADJOURN
adjourned at 10:45 p.m.

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE REPORT FOR FINANCE COMMITTEE SUBSTITUTE FOR HOUSE BILL 441

COMMITTEE SUBSTITUTE FOR HOUSE BILL 441 (FINANCE) provides for a special appropriation in the amount of \$2,300,000 to the Office of the Governor to implement an option for the State to purchase AMU.

It is the intent of this legislation that the Governor shall upon passage of CSHB 441 execute on behalf of the State a binding option to purchase containing the following provisions:

1. A one year option to purchase the AMU campus with the right to extend the option for one year for additional consideration;
2. Conveyance in fee simple to the State of Alaska upon exercise of the option of at least 267.5 acres of real property comprising the AMU campus together with all improvements on this real property;
3. A purchase price to be determined under the option by independent fair market appraisals which take into consideration all restrictions on usage of the real property including but not limited to restrictions in applicable patents and the Amended Memorandum of Understanding of March 11, 1972 between the University of Alaska and AMU.
4. Credit for any amount paid by the State for the option or extension of the option, tuition equalization to students who attend AMU during the option period, and any indebtedness or obligation of AMU assumed by the State;
5. The establishment of a trust for all proceeds from the purchase price of the property exclusive of credits to be administered by the Board of Trustees of AMU, the income of such trust to be used to support and advance education in the State of Alaska;
6. For purposes of administering the trust, the AMU board shall be composed of a majority of Alaska residents selected to accomplish broad state representation and selected without regard to race, religion, national origin, or sex;
7. Continued development by AMU of innovative and viable educational programs for Alaska and co-operation with the Office of the Governor, the Post-Secondary Education Commission, the Legislative Interim Committee on Higher Education and the University of Alaska to develop viable proposals for the best future educational use of the AMU campus;

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8. Cooperation by AMU with the Office of the Governor, the Post Secondary Education Commission, the Legislative Interim Committee on Higher Education, and the University of Alaska to develop the specific guidelines and purposes of the trust to be administered by the AMU Board of Trustees for the support and advancement of education in the State of Alaska.

The principal reason for taking the option approach as opposed to an outright purchase this year of AMU by the University of Alaska aside from initial cash savings to the State, is to allow the State and AMU the maximum flexibility in developing viable and alternative educational programs.

During the interim and before midpoint into the Second Session of the Ninth Legislature, it is intended that the Office of the Governor, Post-Secondary Education Commission, the Legislative Interim Committee on Higher Education, the University of Alaska and AMU will have developed various proposals for the best educational use of the AMU campus in light of all programs and new directions taken by AMU during this period.

During the same time, all the above entities will have hopefully developed specific education proposals to be funded from trust income if the option is exercised, which proposals may or may not involve support of educational activities centered around the AMU campus.

The Ninth Legislature will be receiving reports during the Second Session on the progress in developing all the alternatives, and the Governor should be developing a bond package for the purchase of AMU.

Respectfully submitted,

Hugh Malone, Chairman

HOUSE FINANCE COMMITTEE
Thursday, May 22, 1975
1:47 p.m.

All members were present with the exception of Mr. Naughton. PRESENT
Also present were Dr. Helen Beirne, Dr. Hood and legislative
finance staff members. Mr. Naughton entered the meeting
shortly after its opening.

Chairman Malone called the meeting to order. The subject at HB 441
hand was HB 441 (AMU Purchase). The members went through the
draft, changing some portions of it.

Meeting recessed at 2:27 p.m. RECESS

AFTER RECESS
8:08 p.m.

All members were present with the exception of Reps. Cowper, PRESENT
Itta, Guy and Gruening. Also present was Senator Willis.

Chairman Malone called the meeting to order. Final draft of HB 441
the committee letter for HB 441 was brought before the committee
and there were no objections to it.

HOUSE BILL 121 (Teacher Retirement credit - military service) HB 121
was brought up for consideration. Mr. Malone said that he has
been told the fiscal note is for \$5,000. However, the committee
has received no fiscal note.

(Mr. Gruening entered the meeting.)

The bill was examined in conjunction with CSSB 380 (Teacher
Retirement fractional credit). Mr. Malone said that CSSB 380 CSSB 380
deletes a lot of the language in the original bill which would
cover a lot of medical benefits for retired teachers at 65 years
of age and their dependents. In its amended form, the bill
deals only with fractional credit for membership services. This
takes all the cost out of the bill. HB 121 has a minimal cost
bringing it up to date. He suggested preparing a committee substi-
tute for CSSB 380 incorporating also HB 121. Mr. Duncan moved to MOTION
incorporate HB 121 into CSSB 380, making a house committee substi-
tute and reporting it out of committee. The fiscal note would be
\$5,000. No objection, so ordered. The report was unanimous do pass.

HOUSE BILL 235 (Duties of Dept. of Commerce - landlord tenant HB 235
pamphlet) was brought up for consideration. Mr. Malone said that HB 236
an appropriation was sent out earlier in the session to accomplish
the purposes of HB 235. The same situation applies to HOUSE BILL
236 (Dept. of Commerce, insurance pamphlet). Mr. Naughton moved
to report HB 235 out of committee. No objection, so ordered.
The committee report was signed with a unanimous do pass recommendation.

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Mr. Naughton moved to report HB 236 out of committee. No objection, so ordered. Committee report was a unanimous do pass recommendation. The fiscal notes will be revised to reflect printing and postage costs only. MOTION

HOUSE BILL 135 (Annual cost of living and price survey) was brought up for consideration. Mr. Malone had objection to the \$375,000 fiscal note, feeling that it was much too high. Mr. Hogan recalled a similar study a few yeras ago being \$30,000. Mr. Haugen moved to table the bill. Objection was beard and on vote, motion failed. Mr. Hogan was requested to research this and find out what is behind it. Mr. Parr, who had entered the meeting, stated that the Impact Information Center in Fairbanks wanted to get BLS to do a cost of living index for Fairbanks aas they do for Anchorage, and FLS wanted \$250,000 for the first year for Fairbanks alone. MOTION

HOUSE BILL 203 (Creating Alaska Salary Commission) was brought up for consideration. Mr. Malone noted that there are two fiscal notes, one prepared by Mr. Hogan. Mr. Hogan's is much lower. Mr. Malone thought that if the committee decided to report the bill out, it should be done with Mr. Hogan's fiscal note. Mr. Haugen moved to report the bill out of committee. No objection, so ordered. Majority recommendation was do pass; not concurring was Mr. Duncan who signed no recommendation. Suggestion was made that there be legislative intent that should SB 404 pass, HB 203 would not be needed. Mr. Malone said that should SB 404 pass, then there could be a letter of intent on that, but he did not feel one was necessary to accompany HB 203. MOTION

HOUSE BILL 400 (Legal rate of interest) was brought up for consideration. Mr. Naughton moved to report HB 400 out of committee. After brief discussion and explanation of the bill by Mr. Gruening, sponsor of the measure, the motion carried without objection. The committee report was signed with a unanimous do pass recommendatin. MOTI

COMMITTEE SUBSTITUTE FOR SENATE BILL 104 (Supplemental - Department of Education) was brought up for consideration. Mr. Malone said that the commitee substitute increased the bill by adding Nome school district disaster relief. It also increased the amount of domiciliary services. Mr. Duncan referred to a letter of January 29 indicating that they could decrease the amount needed, but the Senate did not do so. Mr. Malone wanted to find out the reason for this, and requested a written report from the Senate Finance Chairman who had the bill in committee until recently. CSS 104

COMMITTEE SUBSTITUTE FOR SENATE BILL 344 (HSS Appropriation, Facilities for Disabilities) was brought up for consideration. Senator Willis sponsored this bill. Mr. Haugen moved to report it out of committee. Mr. Willis briefly explained the bill. These are matching funds for construction of an annex for MOTION

retarded children. This is to construct a facility in the Ocean CSSB344 View area. The Hope Cottage Group was able to buy some land there last year. The committee substitute adds money for the St. Jude Center and also increases the request for Hope Cottage. Senator Willis was asked the reason for the Hope Cottage increase, and he did not know. However, it was noted that the request and plans for the annex are very modest amounts. Mr. Duncan moved MOTION to report the bill out of committee. No objection, so ordered. Committee report was signed with a unanimous do pass recommendation.

(Senator Croft entered the meeting.)

SENATE BILL 284 (Membership on Public Utilities Commission) was SB284 brought up for consideration. This bill provides that there be 2 additional members of the PUC, and that they be consumers. Mr. Malone invited Senator Croft's testimony. Senator Croft said that the composition of the commission at present is basically one engineer, one accountant, and one attorney. He felt that consumer members would bring a new direction and different concerns than the professional members. After discussion, Mr. Duncan moved to MOTION report SB 284 out of committee. The committee decided to revise the fiscal note on the bill downward. Ms. Buchholdt expressed concern about what sort of people would be selected, noting that they would be getting the same compensation as the professional people. She also wondered why the professional members would not also be considered consumers. Finally, there being no formal objection, the motion carried. Majority report was do pass. Not concurring were Reps. Buchholdt and Gruening who signed no recommendation, and Mr. Haugen who signed do not pass. The fiscal note was revised to a total of \$114,900, broken down as follows: (explanation in file)

Code 100:	\$ 92,500		
200:	5,000		
300:	11,600	310	1,000
		330	9,900
		340	700
		350	Ø
		380	Ø
400:	500		
500:	5,000		

(\$2.8, commissioner's furniture & equipment;
\$1.9, secretary's furniture & equipment;
.3 hearing room, 2 commissioner's chairs)

There were no objections to the revised fiscal note.

(Senator Croft left the meeting.)

SENATE BILL 304 (Appropriation - Revenue, computerized tax base) SB 304 was brought up for consideration. Mr. Haugen moved to report SB304 MOTION out of committee. After brief discussion, there being no objection it was so ordered.

Committee report was a unanimous do pass.

COMMITTEE SUBSTITUTE FOR SENATE BILL 433 am (Purchase of municipal bonds in case of suit) was brought up for consideration. This CSSB433 was also sponsored by Senator Willis. If enacted, the Commissioner of Revenue at his discretion could buy up to \$8 million in Anchorage Borough bonds approved in a special election and an additional \$30 thousand in emergency medical service service bonds approved October 1, 1974. Mr. Malone asked what the total value of the bonds in this is, and Sen. Willis said about \$8.6 million, but not all the bonds have to be sold this summer. In response to questioning, Sen. Willis said that as he understands it, if there are any losses, the Greater Anchorage Area Borough would have to suffer those losses and by the same token, any profits would also benefit the borough. Mr. Malone asked the position of the Commissioner of Revenue on the bill, and Sen. Willis said that he favors it. Mr. Gruening moved to report CSSB 433 amended out of committee. No objection, so ordered. The committee report was signed with a unanimous do pass recommendation.

Meeting adjourned at 10:50 p.m.

ADJOURNE

HOUSE FINANCE COMMITTEE
Sunday, May 25, 1975
9:48 a.m.

All members were present with the exception of Reps. Itta and PRESENT Gruening. Also present were Representative Mike Miller, Bill Thomsen, Director of Administration and Finance for the Department of Education, and Representative Red Swanson.

Chairman Malone called the meeting to order. First item on the agenda was SENATE BILL 104 (Supplemental - Department of Education). Mr. Malone stated that there had been question as to why the foundation program figures weren't equivalent to what the department had proposed, and also question as to where the figures for the Nome school district disaster relief came from. Mr. Thomson; said that he didn't know the reason why the Senate figures were different than the reduction the department had stated could be made. They had requested a \$640,000 reduction from their original request. Mr. Malone asked if that is still an accurate estimate, and Mr. Thomson said yes, based on the first quarter's ADM as submitted by the districts. He had a position paper by the department on SB 265 which explains the Nome school district disaster relief. He explained that part of their decrease is due to loss of enrollment. In October there were 376 in the high school; in March, 326. The amount of decrease totalled almost \$74,000. They also lost 21 elementary students, for a \$24,600 loss. 40 of the students were tuition students and their tuition raised the amount further. The other part is the Nome Beltz High School, owned by the state and is under use permit to the Nome city school district. It was built for a 750 capacity, but there are not more than 350 students in Nome. There is an adult education program for about 100 adults using it. The usage is about 70%. According to the usage permit, the state will assist in the operation and maintenance of the facility. Operational costs are approximately \$400,000. Mr. Thomson noted that the state does not pay all the utility cost, but only pays that in excess of what is used by the others. If there were full utilization, the state would be paying nothing. Part of the problem was getting an additional amount of activity in the facility which did not start until last November. Mr. Malone asked how much cost the district picks up, and Mr. Thomson said \$280,000 of the utilities. They only pay for what they use. Mr. Haugen asked then if the problem was loss of students after the flood, and Mr. Thomson said yes, they lost 71 students in elementary and secondary programs. Mr. Haugen asked if another district is now getting credit for those students; in other words, where have those students gone. Mr. Thomson did not know. At any rate, this is the reason for the difference in amounts between the original bill and the committee substitute for this item.

(Ms. Itta entered the meeting.)

Mr. Malone asked if domiciliary services are part of the cost of the Nome Beltz facility and Mr. Thomson said no.

CSSB104

(Mr. Swanson left the meeting.)

The committee went through the other items in the supplemental, making no final determination at this time.

(Mr. Thomson left the meeting.)

HOUSE BILL 211 (Administration of state tax and revenue laws) HB 211 was brought up for consideration. Mr. Malone proposed an amendment to the bill, which has met with the approval of Messrs. Boetsch and Gallagher. The amendment reads "Page 2, line 8, add: However, nothing in this section precludes the access to the tax records for purposes of audit by the Legislative Audit Division. The Legislative Audit Division shall be bound to a "need to know" policy, and the information shall be used for audit of the Department of Revenue only." Mr. Cowper moved the amendment. No objection, so ordered. Mr. Cowper also moved to delete (b) on page 2, renumbering subsequent sections accordingly. There was objection for purposes of discussion. Messrs. Messenger and Berrier were called before the committee for their comments on the proposed amendment. After a series of questions, Mr. Duncan asked Mr. Messenger if section (a) provides for strict confidentiality and Mr. Messenger answered yes. Mr. Haugen noted that if section (b) is deleted and within a year it becomes apparent that it was a mistake, the legislature could always take corrective action. Question was called and the motion carried without objection. Mr. Cowper moved to replace HB 212 with CSHB 212 and report it out of committee. No objection, so ordered. MOTION MOTION

The Fairbanks Housing problem was brought up for discussion (HB 448, HB 449). Mr. Cowper expressed his concern that this mobile home proposition could be the creation of "instant slums" and he said that after some work, what he and other legislators had come up with was a loan program for people to purchase mobile homes not to exceed \$30,000 at 6% for 10 years. Secondly, the state would lend money for development of mobile home parks for 10% over 10 years. They are trying to keep monthly payments at around \$275 a month for the mobile homes. Mr. Malone said that his understanding of the proposed legislation is that the emergency housing revolving loan fund could be used anywhere there is a housing crisis. Mr. Cowper said that it keys off on the Governor's proclamation. It is a revolving loan fund concept, administered by the Department of Commerce. The committee went through the proposed committee substitute for HB 448 section by section. No action was taken at this time. HB 448 HB 449

Meeting adjourned at 2:00 p.m.

ADJOURNED

HOUSE FINANCE COMMITTEE

Monday, May 26, 1975

7:48 p.m.

All members were present with the exception of Reps. Itta, Guy, PRESEN and Cowper. Also present were Commissioner Warwick of the Department of Administration, Ron Lind, Deputy Director of Budget and Management, Rep. Mike Miller, and Legislative Finance staff.

Chairman Malone called the meeting to order. The committee discussed the state employee pay bills: HB 439, SB 414, HB 450, HB 451, HB 496, HB 497, SB 363, SB 76, and SB 404. Mr. Warwick explained each of the bills (back up on all Governor's bills in bill files). The committee decided to incorporate bills where possible, but took no formal action.

Meeting adjourned at 10:20 p.m.

ADJOURN.

HOUSE FINANCE COMMITTEE

Tuesday, May 27, 1975

7:49 p.m.

All members were present with the exception of Reps. Itta, Naughton, and Cowper. Also present were Commissioner Warwick of the Department of Administration, Reps. Beirne and Miller, and Legislative Finance staff. PRESENT

Chairman Malone called the meeting to order. Purpose of the meeting was to take final action on the pay bills.

HOUSE BILL 450 (pay increase) was the first item on the agenda. Mr. Malone asked the reason for changing the step differential for Nenana. Mr. Warwick said that it had been overstepped. In negotiations with APEA, the state agreed on one more step for Valdez and Fairbanks which seemed to be justified, and took one away from Nenana. There are not many employees there, he said. Commissioner Warwick presented a suggested amendment to the committee which would add two new ranges to the pay scale, ranges 29 and 30. The existing schedules stop at Range 28. These new ranges would allow the administration to adopt more competitive salaries for certain persons, i.e. the director of Mental Health who the state presently has on contract in order to pay him sufficiently. Basically, this would be used on a discriminatory basis to provide the state competitive wages for certain persons. It adds two more ranges in 3.75% increments. Mr. Malone asked if the idea is to provide more flexibility at the top of the salary schedule, and Mr. Warwick said yes. Mr. Duncan moved the amendment, also adding a step 28F. No objection, so ordered. Mr. Duncan moved that a committee substitute be prepared and that it be reported out of committee. No objection, so ordered. Majority report was do pass, Mr. Haugen signing no recommendation. HB 450 MOTION MOTION

HOUSE BILL 497 was brought up for consideration. This is for the tri-trades contract which has not yet been negotiated. The bill estimates a 9% pay increase and would give the Department authorization to pay whatever additional amount is required by the contract. The committee found objection with this method of handling the situation, feeling that it not only gave the legislature no control over the situation but also provided 9% as the starting point for negotiations, in effect. Mr. Haugen and other members expressed their concern over the fact that the Tri-trades negotiations have been going on for several months and they appear to be stalling. HB 497

Meeting recessed at 8:30 p.m.

RECESS

AFTER RECESS

8:53 p.m.

Chairman Malone called the meeting back to order, and resumed discussion of HB 497 and 496. Mr. Guy moved to defer action on HB's 496 and 497. Mr. Duncan objected. On vote motion carried, MOTION

5-1, Mr. Duncan voting no. It was the understanding of the committee that the bills could be taken up at any time the committee chose. HB 496
HB 497

SENATE BILL 76 was discussed. Committee decided to incorporate SB 76, SB 363, HB 439, and HB 451 in a House Finance Committee Substitute for Senate Bill 76. Sec. 1 of the bill fully funds the contract for community college faculty except for the costs of negotiation. Section 2 funds the February 16, 1975 COLA for all employees at 90% and the August 16, 1975 COLA for the U of A. Sections 3 and 4 fund increases for general government employees and non-covered employees at 90%.

(Reps. Naughton and Sullivan and Mr. Dawson entered the meeting at varying times during discussion on the proposed committee substitute.)

Mr. Duncan moved to report a committee substitute with the above changes out of committee. MOTION No objection, so ordered.

Referring again to House Bills 496 and 497, Mr. Malone said that he would request an opinion from Legislative Affairs on the effect of the appropriations as proposed in HB's 496 and 497 on a contract which is not yet signed. He also wanted to know to what extent this type of appropriation enacted by the legislature would involve the legislature in the collective bargaining process. HB 496
HB 497

SENATE BILL 414 is the Administration omnibus bill. Mr. Malone asked if this was funded at 100% and was told yes. He suggested providing appropriate vacancy factors, with legislative intent that the actual costs would be fully funded. Mr. Duncan moved to report out a finance committee substitute providing for VTO. After discussion, committee decided on a 93% vacancy factor for Sections 1, 2, 3 and 5 and 100% funding for sections 4 and 6. No objection, so ordered. Majority report was do pass; not concurring was Mr. Haugen who signed no recommendation. SB 414
MOTION

SENATE BILL 404 was brought up for consideration. An amendment was proposed changing legislative per diem to \$40 a day for each day spent on travel status and \$25 a day for legislative service when not away from home. Mr. Duncan objected to the proposed amendment. He moved to change the per diem rates to \$45 and \$35. Objection was heard and on vote, motion failed. The original amendment was moved and on vote carried. Mr. Naughton moved to report a committee substitute incorporating the amendment out of committee. Mr. Gruening objected. He felt there were other issues needing solution. Mr. Duncan agreed. Mr. Gruening moved to defer the bill. Messrs. Malone and Naughton objected. On vote, motion failed. The original motion was voted on, and the motion carried. Reps. Guy, Haugen and Naughton signed do pass; Rep. Gruening signed do not pass; and Reps. Malone, Buchholdt and Duncan had no recommendation. SB404
MOTION
MOTION

Meeting adjourned at 11:30 p.m.

FINANCE COMMITTEE MEETING

May 29, 1975

12:50 P

Chairman, Malone, Representatives Itta, Naughton
Guy, Cowper and Haugen

MEMBERS
PRESENT

Chairman Malone discussed the breakdown on the recommended
supplemental of CSSB 104, Department of Education.

CSSB 104

FDN Program	\$2,293,700
Nome School District	
Disaster Impact	236,000
Boarding Home Program	
Domiciliary Services	740,000
Out-of-District Students	358,700
Pupil Transportation	
Increased routes, mileage, fuel	491,800
Administration & Support	
FY 74 late billed insurance	90,100
Correspondence Study	34,000
	<u>\$4,244,300</u>

Representative Cowper moved that the Bill be reported
out. No objections - Majority Do Pass

Representative Buchholdt entered the meeting.

Chairman Malone stated that it was a small appropriation
for SB 65, Department of Labor, Employment Security
Division, in the amount of \$15,600. He mentioned this
Bill was a Governor's priority.

SB 65

Mr. Naughton moved the Bill be passed out - Majority -
Do Pass.

Representative Duncan entered the meeting.

These funds were initially transferred for the capital
improvement, Supplemental Appropriation - National Guard,
to cover emergency repair and the request is to make a
proper appropriation for the emergency which would take
care of the capital improvement funds - \$31,300

SB 68

Representative Naughton moved the Bill be passed out.
No objections - motion adopted - majority Do Pass

The original request was for \$70,000 for Appropriation
for Laboratories, but a supplemental of \$10,700 was
requested for the actual move. Chairman Malone
recommended the CS be reported out at the level of
\$80,700 and it would cover the move cost and the
estimate of the remodeling as of April 21, 1975.

SB 163 am

Representative Cowper moved the Bill be passed out -
Majority Do Pass

Finance Committee Meeting

May 29, 1975

12:50 P

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Representative Gruening entered the meeting.

There was a discussion on the appropriations for funding SB 442, Council of Arts, during fiscal year 1976.

SB 442

It was recommended by Representative Cowper that \$5,000 be appropriated for partial funding of the Fairbanks Symphony Orchestra; \$6,000 for transportation of seven Chevak dancers to the Third World Congress of Poets, by Representative Guy; \$10,000 to provide partial funding of the cultural arts program "Cry of the Wild Ram" in Kodiak, by Representative Naughton; and \$5,000 for partial funding of the Inupiat Council of the Arts in Barrow by Representative Itta.

The title is also to be changed to "An Act making a special appropriation to the Office of the Governor, Alaska State Council on the Arts; and providing for an effective date."

A Finance Committee Substitute will be prepared to incorporate the above changes.

Representative Cowper moved the Bill be passed out. Motion was adopted.

Adjourn 1:42P

HOUSE FINANCE COMMITTEE

May 30, 1975

8:00 p.m.

All members with the exception of Representative Guy. Also present were the following: Representatives Mike Miller, Parr, Gardiner, Sullivan; Commissioner of Commerce Tony Motley; Vern Roberts, Department of Fish & Game; Commissioner of the Department of Public Works Don Harris; Messrs. Heinz Noonan, Department of Public Works; Clayton Hueners and Ed Granger, Division of Aviation, Department of Public Works; Robert DuPere, Bond Consultant. Also present were Jay Hogan, Director, Legislative Finance Division; Jim Rhode; and Carl Gonder, Division of Budget & Management.

Present

The Chairman called the meeting to order, and the Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL 421, an Act relating to compensation for the taking of rights-of-way across state leases.

SSSB 421

Representative Gardiner informed the Committee that this bill had originally been reported out of Committee under House Bill 438. SSSB 421 repeals AS 38.05.107 (compensation relating to easements or rights-of-way across state leases).

HB 438
SSSB 421

Representative Naughton moved that the Committee report out SSSB 421; (Representative Malone stated that the Resources Committee had waived referral on the bill). There being no objection to the motion, SSSB 421 was reported out with a "do pass" recommendation, all members present signing the Majority Report.

Motion

The Committee considered SENATE BILL 164 (An Act making a supplemental appropriation to the Department of Fish & Game in the amount of \$117,600 [\$109,400 - Game Division; \$8,200 - Sport Fish Division]).

SB 164

Representative Malone said SB 164 corrects an error which had been made in the Fish & Game funding ratios for FY 75.

Mr. Vern Roberts, Dept. of Fish & Game, told the Committee that the error had been discovered as soon as the Free Conference Committee Report had come out last year; the agency has been seeking to correct the funding error since that time.

Representative Malone asked Mr. Roberts for the balance of the Fish & Game fund. Mr. Roberts replied that there was approximately \$600,000 in the fund. Representative Malone asked if the federal receivables which the agency is covering in the fund balance will materialize. Mr. Roberts stated that they would materialize; he added that he had had no case where a claim submitted by Mr. Roberts' office was not honored by the federal government.

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Representative Naughton referred to the audit conducted and asked if the Department of Fish & Game had done anything to correct the four items suggested by the Department of Administration to bring the accounting system into line. Mr. Roberts stated that as of yesterday, the Chief Accountant was trying to work on those items. He said that their method of reporting does need some modification.

Representative Haugen moved that the Committee report out SB 164; no objection, so ordered. The Committee Report was signed as follows: (recommending that SB 164 do pass) Duncan, Haugen, Cowper, Gruening, Itta, Naughton, Malone; Representative Buchholdt signed "No rec."

Motion

The Committee considered SENATE BILL 220 (An Act relating to review of construction projects under the rural school construction bond issue by the Legislative Budget and Audit Committee).

SB 220

The bill amends Chapter 142, Sec. 5(c) SLA 1974 by adding the following language: "Before the Department of Education or the Alaska State-Operated School System go to bid for construction of a project under this Act, the construction site, schematic plans, and construction schedule shall be reviewed and approved by the Legislative Budget and Audit Committee which may in turn establish progress reporting requirements for any or all construction projects."

Representative Buchholdt moved to report out SB 220. Representative Malone pointed out to the members that an amendment had been made by the HESS Committee which added the words "or the Department of Public Works" after the words "State-Operated School System".

Motion

Representative Buchholdt amended her motion to report out the bill to include the HESS amendment.

Amended
Motion

Representative Itta asked if the Budget and Audit Committee will need additional staff to carry out this work. Representative Malone replied that the Committee has reviewed construction plans for ASHA facilities from time to time; the process has not required additional staff. Mr. Hogan explained that architects for the project and the Division of Buildings present schematic drawings, etc. to the Committee for review.

Representative Malone asked Commissioner Harris for his views on SB 220. Commissioner Harris said that he did not know how the Committee would evaluate the plans unless there was an architect on the staff.

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Representative Haugen called for the question; there being no objection to Representative Buchholdt's motion, SB 220 was reported out of Committee with the HESS amendment. The Committee Report was signed as follows: Recommending that SB 220 (am) pass were Buchholdt, Duncan, Naughton, Cowper, Gruening, Itta, Malone; Representative Haugen signed "no rec."

The Committee considered HOUSE BILL 300 (Relating to State Elections). Representative Malone stated that since the bill deals with elections, action on the bill would not be necessary this year, but early enactment next session would be necessary. It was decided to defer consideration of the bill until the following day. Representative Malone urged Finance Committee members to review the legislation in the meantime.

HB 300

The Committee then considered SENATE BILL 311 (An Act relating to Alaska International Airports Revenue Bonds, Series E) -- the defeasance of \$10.6 international airport revenue bonds.

SB 311

Representative Malone stated that SB 311 deals with the Series E bond issue and basically provides the mechanism for recalling the bonds. He also informed those present that the Senate and House had not included capital improvements for the international airport revenue fund in the General Appropriations bill.

Mr. Rhode told the Committee members that copies of the following information had been distributed to them (see bill file): Mr. Malone's letter to the Division of Aviation regarding matters which have arisen during the course of inquiry of the defeasance of international airport bonds; Mr. Peck's reply to Mr. Malone; a copy of the Wainwright & Ramsey letter touching on the defeasance and their criticism of defeasance; a study (directed by the Commissioner of the Department of Public Works) regarding problems of the Division of Aviation; replies of the Aviation Division as to why the defeasance is necessary and what costs are incurred by the State; description and justification of a terminal facility and why it cannot be deferred; DuPere letters; Mr. Freer's letter regarding rate increases to pay for the terminal; Mr. Peck's letter regarding rate increases; Commissioner Harris's decision regarding rate increases.

Representative Malone stated that the questions surrounding the bill are those relating to the necessity for the construction of the Series E project (planned addition to the Anchorage airport) and how had they arrived at the original plans for construction; he said they must have been based on need or were fraudulent. He then asked Commissioner Harris to provide the Committee with some background information.

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Commissioner Harris stated that three years ago, when planning for the project "got off the ground", air carriers were in a different frame of mind; they were "in an expansive mood", as was the economy. The project got into the planning stages, progressed, and there was cooperation between the Division of Aviation and the users of air carriers; then the price of oil fuels tripled within the last year, which resulted in an economic change for everyone, particularly foreign carriers. Those carriers lost \$700,000 in their overall operation, which has been highly influential in their change of position with regard to this situation; although they have stated that they still want the terminal facility, they do not want to bear the burden of paying for it now. Commissioner Harris said that as far as the final design is concerned, the carriers also say they would be looking at increased costs, operating a "split operation". He stated that (for example) it would be necessary to bus people to Customs and Immigrations. That, along with other reasons, cause the foreign carriers to anticipate increased costs.

Commissioner Harris said that the increase in fuel costs, along with the adverse effect on the airline industry (and on countries which have suffered balance-of-payment reversals due to the price of oil) have been the main considerations. Flights have been trimmed back to some degree. When the official statement was published, and the rates set therein, it put the burden of the increase on domestic carriers. Commissioner Harris and the domestic carriers were upset by the rate increases in view of the fact that \$1.5 million of the proposed annual increase would have gone to provide for the international facility which would not provide anything for domestic carriers (although 50,000 square feet would be opened up in the existing terminal which would [in the future] be occupied by domestic carriers).

Commissioner Harris said that he made his decision to go ahead (based on the fact that he was informed that if they did not go ahead by a certain time -- approximately 30 days -- they would have to go to redesign due to the change in the Greater Anchorage Area Borough Building Code); he went to the bond committee and was advised that the bonds would sell on the market; they did, and they then advertised for construction. They met with the air carriers which requested that the department pursue the route provided for in SB 311 when they saw the rate increases needed to fund the bond issue, provide for coverage for the other bond issues, and provide for increased operative costs. Following consultation with the Bond Committee and the State Bond Counsel, it was decided that this course of action (SB 311) would be best.

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Commissioner Harris said that the Bond Counsel indicated that he did not consider there to be any degree of risk in going the route of defeasance as far as future issues were concerned (which was of prime concern to the Department). The international carriers and those who had options available to them (JAL had 80 flights/week going through Anchorage), after looking at the rate structure proposed by the Department, decided and told the Department at the next meeting "no". JAL exercised its option to go into Vancouver, B.C. with 75 flights/week. When they established the rate schedule putting 65-75% of the burden to foreign carriers, they began exercising their options by landing at other locations. Commissioner Harris said SB 311 was then formulated.

The Committee recessed at 8:45 p.m.

AFTER RECESS

9:15 p.m.

Chairman Malone called the meeting back to order. The Committee resumed its consideration of SB 311 (Defeasance of Alaska International Airport Revenue Bonds, Series E).

Representative Malone referred to the Division of Aviation's May 9, 1975 reply to Mr. Malone. Mr. Malone said that the reply indicates under Item #1 that the direct costs will total \$84,829; indirect costs total \$650,000 (of which \$400,000 is salvageable). Mr. Malone said that a \$2,000,000 figure was also mentioned as the approximate increase in construction cash for an additional two year period (which includes \$1,000,000 for the borough building code revision), \$2,500,000 was listed as an approximate increase in construction cash for an additional one-year period. Mr. Malone asked Commissioner Harris if he had any projections at this time of how increased costs will balance with savings in the time being as far as user rates are concerned; what will happen with the user rates with expansion in the future? Commissioner Harris replied that the airlines established a facility committee and a finance committee, consisting of known users of the international airports. Subsequent correspondence with the Department of Public Works -- without exception -- requested the department to take the course of action it did; their correspondence also indicated that they would pay whatever rate is necessary to make up to the State what they had expended from the international airport revenue fund to cover the costs of defeasance of the bonds.

Commissioner Harris said that on April 1, 1975, the department set a new rate which would provide for the increased operating costs for airports in order to provide for coverage required by the terms of the previous bond sales; the totals would provide approximately \$600,000 per year. Commissioner Harris then said that the new rate established is estimated to bring in \$850,000 to \$1,000,000 per year, therefore they would be recovering against costs involved in the defeasance of the bonds at the rate of \$300,000 to \$400,000 per year. He added that if they look at three years in the future before issuing bids for construction, the estimates are about \$2.5 million of additional cost to get the same facility (which would include borough code changes and expected inflation).

Commissioner Harris pointed out that these figures are very close to those looked at at the time he made the decision to ask for defeasance of the bonds. He said he thought that if the economy turns around, and if the economics of the airline

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industry turns around, the Commissioner then felt that within three years, the airlines will be needing more space. He said that he "rather expected" that the economic situation will, in fact, turn around, and the airlines will be asking that the Department of Public Works consider providing for a facility. Commissioner Harris said the department has charged the airlines and their facility committee with coming to the department with enough advance notice to enable the proper planning and construction. Commissioner Harris added that the airlines are well aware that for any facility they may request, they will be paying rate increases. He then stated that a complete rate study on international airports is intended to be completed prior to the convening of the 1976 Legislature.

Representative Malone referred to the Division of Aviation's letter of May 9 and said that the letter indicates that there have been rate increases in general aviation -- such as tie down fee increases. Mr. Malone pointed out that apparently the State's rates are considerably below what is available in terms of private space. The May 9 letter indicates that rates for tie-down fees at Lake Hood are \$20/month for private aircraft and \$30/month for commercial aircraft, whereas similar private tie-downs at that location and at Merrill Field run between \$30 and \$45/month. Commissioner Harris said he thought that the State's rates were, in fact, below the going rates in Anchorage. He said that these were the rates which had been established many years ago; no one in the past had chosen to have any progressive rate raises at all except during the time the existing new terminal satellite facility was built; and then, the only rate increase was in terminal space rental. Commissioner Harris said that they also raised fuel flowage fees; there were several other small rate increases. He stated that the fuel flowage fee change is designed to bring in approximately \$600,000 - \$700,000, but the other increases are very nominal amounts. Commissioner Harris said he thought that a thorough rate study would indicate that other rate increases in a number of other areas are necessary.

Representative Malone said that the May 9 letter indicates that Anchorage and Fairbanks terminal space rates were low by as much as 50%; he asked Commissioner Harris if it were possible to get the federal government to pay for the 21,000 square feet they now use at the Anchorage International Airport. Commissioner Harris said he understood that Congress had authorized legislation for the agencies to pay for the space they use, but Congress has never appropriated money. Representative Malone asked if anyone had asked Congress to appropriate the money. Commissioner Harris said he did not know, but he thought the matter had been taken up at least on the local level with Public Health and Immigrations. Representative Malone pointed out that the State has an appreciable amount of

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space which might bring in between \$150,000 or \$250,000 per year if the federal government were to pay for the space it uses.

Representative Gruening referred to the tie-down fees and asked what amount would be involved if the fees were raised to \$50/month. Mr. Granger told the Committee that there are approximately 500 aircraft involved on the Anchorage International Airport with an average monthly rental figure being shy of \$25 because most of the planes are private. Rep. Malone pointed out that that would come to a figure in excess of \$100,000 per year. Rep. Gruening asked Mr. Granger if, in fact, the annual return for the rental space for those 500 planes was \$100,000. Mr. Granger said that the figure was very close. He added that the facilities they provide are rather minimal; little maintenance and budgetary costs are involved. Mr. Granger said that it has always been the division's position that they are paying what costs are generated by activities on the airport.

Rep. Gruening asked what kind of recommendation the bond consultant has made with regard to revenues to meet requirements of the bonds over the present rate. Commissioner Harris said that if the State were to go ahead with the facility, pay for increased costs experienced, and maintain bond coverage, they would have to raise approximately \$2.8 million additional per year. Rep. Gruening asked if that would be done by increasing landing fees. Commissioner Harris replied that there would be increases in landing fees, terminal costs, etc. Rep. Gruening then asked what kind of bond coverage the \$2.8 million is related to; he noted the required bond coverage factor of 1.3 minimum vs. 3.5 desirable (Item #10). Mr. Heinz Noonan replied that the amount is figured by taking the 1.3 (x) the net revenue component; total revenue (-) total cost, that has to be at 1.3 times. Rep. Gruening asked what figure was applied to arrive at the \$2.8 million. Mr. Noonan replied "about 2.5". Rep. Gruening stated that then based on the 2.5 ratio, \$2.8 million is needed in additional gross revenue. Mr. Noonan said that was correct.

Commissioner Harris said that the increase would only have carried for about three years before the agency would have to institute another rate increase to maintain bond coverage (due to rising costs). The rate increase they entered into on April 1 only provides coverage for a "slight amount of time" before they will go into another rate increase.

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Rep. Cowper noted that in looking at the revenue components, there seemed to be a large disparity between domestic air carriers and foreign air carriers. He asked if this is true on all international airports. Mr. Noonan replied that the differential among domestic and foreign air carriers is seen in Item #3 of the May 9 letter. He pointed out that it covers only Anchorage International Airport because the Fairbanks International Airport has only Pan American Airways. Mr. Noonan said that most airports which have international traffic as much as that found at Anchorage International, you would find this kind of differential. Rep. Cowper stated that then other international airports derive most of their revenue from the foreign carriers as does Anchorage International. Mr. Noonan replied that that was correct, and Commissioner Harris stated that he should point out that the State's rates are applied equally to all carriers; they have no discriminatory practices as far as users are concerned. All the rates are applied equally to every user, and are dependent upon the character of the traffic at any particular airport and how the revenues are earned.

Rep. Cowper asked if many of the domestic carriers handle freight. Commissioner Harris said that a number of them do; Flying Tigers is purely a freight operator, and there are several domestic carriers on the airport which are purely for freight and cargo. Rep. Cowper said he thought that Flying Tigers landed at Cold Bay. Commissioner Harris stated that they had just built a new facility in Anchorage and are now directing more of their traffic into Anchorage.

Mr. Noonan told the Committee that some airports do differentiate between foreign carriers and domestic carriers, thus some foreign carriers are charged higher landing fees (termed "discriminatory landing fees"). They may also have an even higher rate for supplemental carriers which are non-scheduled international carriers, but it is up to the individual airport authority to establish its rates. The Alaskan rates are "straight across the board" for domestic and foreign carriers.

Rep. Gruening said that assuming the \$2.8 million figure is at 2.5, can't the State go lower than that without having trouble in selling the bonds. Mr. Noonan replied that the specified minimum is 1.3, which is required. But to sell future bond issues, Commissioner of Revenue Sterling Gallagher made the point that 2.0 - 2.225 coverage should be maintained. When you begin to sell bonds and see a downgrading of the bond coverage, it does not represent a "good picture", so what the bond prospectus shows is an upward trend in the bond coverage.

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Mr. Noonan said that they had had an 8.35 bond rating when they began to sell the bonds, but since that time, the rating has slowly gone downhill.) The upward trend shows a progression from a rating of "BBB" and a "B-AA" to an "A" which is a good rating.

Representative Gruening referred to the Commissioner's previous mention of a \$2.8 million figure which would be required to maintain bond coverage, and then asked where the burden would fall if rates were raised. Mr. Noonan replied that if landing fees were raised, 65% of the impact would fall on domestic carriers; building fees -- 68% would fall on domestic carriers; fuel flowage fees -- 68% on international carriers (not just foreign carriers). Mr. Noonan said that if land rentals are raised, 98 to 99% of the burden would fall on domestic carriers. He stated that the building rentals, land rentals, fuel flowage fees, and landing fees are the four major revenue components.

Mr. Noonan stated that JAL pays most in terms of fuel and oil; he said he thought that JAL is paying about 55% of the total income cost of the international carriers and 35% of the entire revenue of the International Airport. He said that foreign carriers contribute \$2.3 million of the fuel royalties, and of that amount, JAL pays 57% (next highest being Air France). Mr. Noonan added that if all fuel/oil fees of domestic carriers were added together, JAL would still exceed that amount.

Mr. Noonan said that in terms of landing fees, Air France pays 57%. He then said that the three top domestic carriers were Northwest (\$226,000 landing fees), Flying Tigers (\$196,000 landing fees), and Alaska Airlines (\$178,000 landing fees).

Representative Gruening asked if the rates were the same for domestic carriers and foreign carriers as far as landing fees were concerned. Mr. Noonan replied that the rates were the same and depend upon gross takeoff weight. Mr. Noonan then listed the following rates for other airports.

Denver	19¢/1000 lbs landing fees; 1/2¢ fuel flowage fee
Dallas	25.24¢/1000 lbs landing fees; .023¢ fuel flowage fee
Hawaii	83¢/1000 lbs landing fees; 1¢ fuel flowage fee
Seattle	\$1.60/1000 lbs; 1 and 1/2¢ fuel flowage fee
Anchorage	30¢/1000 lbs; 2.3¢ fuel flowage fee

Representative Haugen asked the Commissioner if the debt ratio of 1.3 could be maintained if JAL no longer used the airport. Commissioner Harris said that he felt that any flights going over the pole would continue to land in Alaska. He said that if those flights run into Canada or the southern United States

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or on the East Coast, they exercise an option of going to other locations and can bypass Anchorage. He said that in this case, Vancouver, B.C. is the most attractive place for them to land although their rate structure there is similar to the Anchorage airport.

Commissioner Harris told the Committee that there were a number of other costs which airlines experience (besides airfield charges) which might make a difference. He stated that the airlines inform the State what it costs them to board a passenger.

Representative Gruening asked Commissioner Harris why Seattle charged \$1.60 per 1000 pounds gross weight while Anchorage charged only 30¢. Mr. Noonan stated that during its expansion program, Sea-Tac airport had a joint operating agreement between the airlines and the airport whereby airlines are tied to the airport -- committed to so much per year -- even if the airlines decided not to go into Sea-Tac due to rate increases. Mr. Noonan said that under the expansion program, everything is based on a sliding scale and is tied to the cost of living index. He added that the airport does not really have any fuel flowage fees except for those carriers which are considered non-scheduled carriers.

Commissioner Harris said that airlines consider it expensive to operate into Sea-Tac. The airport is highly overbuilt at this point in time, and they are paying the penalty. Therefore, they opt not to operate into Sea-Tac. Commissioner Harris said that a lot of non-scheduled and cargo planes which have the option available to them are operating into Everett airport because of its more attractive rate structure. Commissioner Harris said that Sea-Tac is "making it" because it has a user agreement which allows them to adjust the rates to meet their bond coverage. Mr. Noonan said that Sea-Tac's rates are set to meet the minimal bond coverage, and they will capitalize five years down the road on future capital improvements programs, and get an 8.5 return on their investment.

Mr. Jim Rhode said he understood that approximately 60% of the earnings of the airport fund are derived from the international carriers, largely due to fees on fuel and oil and concessions. He pointed out, however, that the Commissioner had said earlier that the international air carriers had problems due to declining traffic during the recession and the increased costs of fuel. Mr. Rhode then asked if that meant that the Alaskan based carriers and the other domestic carriers will be asked to pay more of any future rate increases -- or even present rates? Commissioner Harris replied that he thought that a thorough rate study may indicate that a new set of rates might change that percentage somewhat.

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Representative Malone said that in spite of the fact that there were recommendations from the financial consultants and requests from the bond committee as to the necessary increases, the carriers were not informed until "pretty late in the game" as to what the increases would be; in fact, "no one seemed to want to tell them that there would be a rate increase required until (apparently) after the change in administration". Representative Malone said that correspondence in the file indicated that this was so. Commissioner Harris said that he felt that to be "essentially true".

Representative Naughton stated that many foreign carriers are now using equipment such as the 747 and the DC-10; he asked what effect that has on the feasibility of Alaska operating an international airport. Commissioner Harris said that it gives the carriers using such equipment more options, but for those planes going over the pole to Europe, Anchorage is still the most logical place to refuel.

Representative Naughton asked what might be the scope of contribution to the State's economy as result of the larger and longer range equipment. Commissioner Harris replied that basically, the foreign carriers pay about 60% - 65% of the operating cost of the two international airports which generate about 80% of the State's air traffic; therefore, it is very attractive to keep the foreign carriers using the facilities. He stated that if they do "drop off to any great degree", in order to maintain the existing bond coverage they will have to apply higher rates to those people who remain and utilize the facility. Commissioner Harris said he was sure that that will be reflected in the cost of freight and air traffic to every Alaskan that uses the airlines in the State.

Commissioner Harris continued to say that domestic carriers are naturally going to pass through every bit of the cost increase imposed on them. Representative Naughton asked if the expansion wasn't based primarily on foreign traffic. Commissioner Harris said the expansion was designed totally around foreign users and was to provide for the international satellite building to separate the traffic of foreign carriers from domestic travelers. Representative Naughton stated that therefore, progress was going to cost the State because the State would have had to pick up a part of the increase -- that the State would not have had to pick up the cost had it not been for the expansion, which was solely for foreign carriers. Commissioner Harris said that under the rate schedule provided in the official statement for the sale of the bonds, domestic carriers would have been picking up major portions of the increased cost. Representative Naughton said that therefore, it would have a negative impact on the economy. Commissioner Harris replied that it would have a negative impact as far as the Alaskan

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is concerned. He said that when the rate schedule was revised, the foreign carriers chose to go to another location, and thereby decreased the potential revenue by \$9,000 per week. Commissioner Harris said that the State will have to keep the airport in quite a competitive position in order to enjoy their earnings from international carriers. Representative Naughton said that then the State must trust the carriers and believe that they will continue to use the facilities. Commissioner Harris said yes, or make it attractive enough so they will choose to use that airport rather than another location. Representative Gruening said that if the expansion takes place, the State should consider a user agreement, similar to that of Sea-Tac. Commissioner Harris said that they are now looking at developing a user agreement, but he doubted that the State will "get in the same box that Seattle got in". Mr. Noonan then said that with regard to the new types of equipment, the airports must remain competitive based on the elasticity of demand and supply. He added that it must be remembered how much international traffic generates in terms of the Anchorage community itself with the work force employed by carriers and utilization of lodging facilities. He said that an agreement can be reached whereby the carriers will guarantee so many flights on a monthly or annual basis, and the State can "tie them into the bond coverage as well as to the revenue".

Representative Naughton asked how this industry compared to other industries. Commissioner Motley (Dept. of Commerce) told the Committee that the industry is more service-oriented. He said that JAL books 100 to 120 rooms a night year-round in Anchorage, even while a 65% occupancy rate exists. He added that there are food services as well as other services provided by the community. Commissioner Harris said that he had heard that the Anchorage International Airport meant about \$200,000,000 per year to the community. Representative Gruening asked for the number of people involved in employment generated by international carriers, directly or indirectly. Commissioner Motley said that it would be difficult to estimate because, for example, Northwest services food service for other internationals.

Representative Haugen said that when the Commissioner had first appeared before the Committee, the Commissioner's greatest concern was to "get a handle" on where the department stood regarding revenues, expenses, and the ability to maintain a debt ratio. Representative Haugen asked Commissioner Harris if he felt that he had learned where the department stood. Commissioner Harris replied that they are in a much better position at this time to "say where we are", and he thought that a further rate study will help develop knowledge regarding whatever rates are necessary, and for future capital improvements plans.

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Representative Haugen said that the previous Commissioner for the agency had talked about not having a bond sale because he did not have information he needed. Commissioner Harris said that was correct; former Commissioner Taggart had written a memorandum to the previous chairman of the bond committee, saying that "he did not feel good about the figures he was using". Commissioner Harris said that Commissioner Taggart "was not satisfied as to the coverage". "He thought that the figures had been manipulated to a certain extent to justify what the people chose to do." Commissioner Harris said that in the same memo, Commissioner Taggart had said to the chairman of the bond committee that he wanted to put rate increases before the carriers after the upcoming election. Commissioner Harris said he did not become aware of this particular memorandum until some time after his decision to move for the defeasance.

Representative Haugen asked Commissioner Harris if he thought the air carriers will understand two or three years from now that they will have to take care of what is on the books now and know that they will have to pay. Commissioner Harris said that there was no question as to the air carriers understanding the situation. He said "we have no problem with the carriers". They were told precisely what is expected when they look for improved facilities. They know that they are expected to "take the lead" in saying so, and recognizing that fact that when they do, rates will be set which will pay for the facility and operation thereof. Commissioner Harris said he thought there was an "open dialogue" with the air carriers, and he added that he thought to some degree that "they have vacillated in the past; they are not clean on this thing by any means, but nevertheless, it is my choice not to impose rates where we are just banking air carriers' money or setting rates where they are building a surplus from the airports and in turn, those they impose on air carriers are those imposed primarily on Alaskan users.

Mr. Rhode said that in the letter of May 9, item #5 details the losses at Fairbanks International Airport. Mr. Rhode said that this letter claims a \$333,000 loss at the airport while another letter claimed a total loss of \$700,000. Commissioner Harris said that the changed projection was due to increased usage at the airport -- in excess of \$300,000. Representative Malone said that the revenue projections the Committee had for FY 76 presented a \$.5 million loss at Fairbanks. He said the Committee had documents which referred to 11 substantial revisions in airport revenue projections. He then asked how valid the latest projections might be and to what extent are the reports being generated to update revenue projections of the international airport system. Mr. Noonan replied that as of the last projection he had made for the Bond Attorney, Eric Wohlforth, there had been a total of 13

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projections, but the projections put out before the bond prospectus were not acceptable. Representative Malone said he was concerned that the status of the reporting on current revenues was accurate enough that projects can be based on them. Mr. Noonan replied that they are accurate. Commissioner Harris said that they have a monthly reporting from each airport. Representative Malone said that the lists of projections the Committee has at this time indicate that there are some in variance with reality with no apparent explanation.

Mr. Hueners stated that projections at the Fairbanks International Airport have been difficult to make to any degree of reliability because the situation there is unpredictable. He said that the major revenue generators fluctuate; fuel flowage fees, for example, change 2000% in one year.

Representative Buchholdt stated that she had some contact with people who work in the duty-free shops and flight kitchens at the airports. She asked if a count had ever been made as to the number of locally-hired employees in the airport concessions. Mr. Hueners said that there are 1500 - 2000 employees on the airport, but that is total employment. Mr. Noonan said that there are approximately 50 to 65 employees working at the duty-free shop. He added that those people working in the terminal must be able to speak English and Japanese and, preferably, another language. Mr. Noonan said that he was not sure of the employee count in the warehouses at the airports.

Representative Buchholdt asked if the department had any controls over local hire enforcement. Commissioner Harris said the agency had no control whatever for private industry or concessionaries. Mr. Hueners stated that all concessionaire agreements have non-discriminatory clauses which are required. Representative Buchholdt said she had received several complaints from constituents when Northwest, for example, laid off people and duty-free shop hired people, and people were transferred from the ramp to the warehouse. She said there appeared to be a lack of understanding as to who would get hired first: those laid off or those people who applied for a job for the first time.

Representative Gruening asked how much of the Anchorage International Airport facility had been financed by general obligation bonds or revenue bonds. Mr. Granger replied that he thought there was a mixture of financing; they even have \$1,000,000 of earthquake funds used to construct the hexagon. Mr. Granger said that both general obligation and revenue bonds were involved. Commissioner Harris said that a full \$1,000,000 of general obligation bonds were involved.

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Representative Gruening asked what the Commissioner's thinking was regarding future expansion of the facility; did he consider general obligation bonds; Representative Gruening asked if revenue bonds wouldn't cost more. Commissioner Harris replied that they would, but there is a possibility under the new ADAP bill that they may be able to use federal money to build terminal facilities. He said that he would like to see the Finance Committees provide financing of the matching portion of runways and ramps, etc., out of general obligation bonds -- those items to which cannot be correctly attached a revenue earning potential. Representative Gruening asked if the matching portions of runway improvements were presently paid for by revenue bonds. Commissioner Harris said that they are currently paid for out of the international revenue fund by bonds or the fund.

Representative Malone asked what, on an annual basis, the agency is required now in the international airport system to have in net earnings for bond coverage if the minimum is 1.3. Commissioner Harris said that their present debt service requirement is approximately 1.8, therefore, it would be \$2.3 million net revenue, minimum. Representative Malone said that those net earnings would be the next income minus operating expenditures; he asked if capital expenditure costs are subtracted from those net earnings to arrive at the required bond coverage. He said that normally, that is not what is done; usually, operating costs are subtracted, and the surplus over the required debt service is available for capital improvements. Commissioner Harris replied yes, that they are using surplus above those needed for bond coverage for capital improvements.

Representative Naughton asked if all the carriers are current with landing fees and fuel flowage fees. Commissioner Harris said there are some outstanding long-term obligations, but anyone that now uses the airport is being kept current. He added that there is a bankruptcy case whereby the State is "out about \$45,000". He said it should be "written off". Commissioner Harris stated that they have asked the Department of Law, Office of the Attorney General, to do so.

Representative Naughton noted that the airports gross \$10.5 million per year. Representative Malone countered that the revenue projections for FY 76 estimate about \$12.2 million at Anchorage International Airport and approximately \$2.9 million at Fairbanks. Representative Haugen asked when that budget was made. Mr. Carl Gonder, Division of Budget & Management, Dept. of Administration, said that the total figure of \$15.1 million for FY 76 is valid. He said that is still "approximately valid" for the rate structure as it was before April 1. Mr. Gonder added that if you add in additional revenues due to the new rate structure, it will approach

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a \$15,950,000 figure. Mr. Gonder said that those revenue estimates were made last fall before the rate structure was revised; therefore, the revenues will rise approximately \$850,000. Mr. Noonan stated that the \$850,000 is due to increases in tie down fees, fuel flowage fees, and deleting the first half-hour of free parking.

Mr. Rhode then referred to the May 9 letter, Item #11, which speaks of 63 security personnel at the Fairbanks International Airport. Mr. Rhode said that since that letter, the number had been reduced to 44. He then asked why there were ever 63 security personnel, and now still as many as 44. Mr. Granger told the Committee that Fairbanks has the same airport operation problems as Anchorage. Gate security is probably one of their biggest man-hour users. Mr. Granger said that due to requirements under federal air regulations, they must have an armed guard at the gate during the boarding process. Fairbanks International's terminal building was designed (as was Anchorage International) prior to the gate security requirements levied on the airport authority, and a terrific number of man-hours are required. Another federal air regulation requirement is the ability to respond on three minutes notice to any of the operational areas on the airport (fire equipment, etc.), hence a 24-hour coverage, you must have four people working; leave and holidays must also be taken into consideration. Mr. Granger told the Committee that "if we could cut it down, we certainly would", but they could not trim them back anymore than they already have.

Mr. Rhode then referred to Item #12 of the memorandum which spoke to private security firms being more expensive than the airport security system. Mr. Rhode said that the Vice President of Wein Airlines had stated that that was not true; carriers are seeking the department's help in obtaining FAA approval to obtain private security. Mr. Noonan replied that prior to the time that a gun is strapped on a security officer, the private security firms are less expensive, but other airlines (Reeve, Western, Wein) have found out through investigation that it is more expensive when you have a man who handles a gun and must be deputized. Mr. Noonan stated that they were still trying to work something out with Loomis and other companies, but the main problem is insurance; the coverage per policeman is the reason for escalation of costs. Mr. Noonan said that the Division of Aviation is still trying to get them to use their own force, but although coverage was cut back from 63 to 44, overtime for the personnel has jumped significantly, therefore, there are no real savings. It is a question of more bodies at work or more overtime. Commissioner Harris told the Committee that it has been difficult to maintain people in employment at Fairbanks International due to offers made by firms involved with the pipeline. By giving the people more overtime, it is possible to keep sufficient people on hand to keep the airport certified for carriers.

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Representative Malone stated that the costs locked into the defeasance are as follows: estimated \$85,000 in direct costs; estimated \$400,000 in salvageable design costs. He asked how the latter figure was reached. Commissioner Harris stated that that figure represents the increased cost for design change due to the code change, and also whatever the increased costs are at the time you go to construction. He said that with a construction of that size, the increase in fees will be about 6% for inflation purposes. Representative Malone asked how any of the costs can be considered salvageable if the project is not going ahead. Commissioner Harris said because a large part of the design done is still usable. If they went back to a total re-design, they would be looking at a figure in the neighborhood of \$800,000 due to inflation. Representative Malone then asked if the Commissioner had a plan to go ahead with construction in the future. Commissioner Harris replied that they were not ruling the possibility out; they will be looking at construction in the future if the economics of the industry turn around.

Representative Malone said it seems difficult to predict design costs as salvageable when the project is not going ahead at this time, and no one knows when it will be done. He said that perhaps it should be written off, until a decision is made to go ahead with all or a portion of the project for which the design was done. Commissioner Harris said that they are looking at approximately \$700,000 in total costs. Mr. Noonan pointed out that when they put this to the airlines, they stressed that point to them; they did not include a salvage value in the design. The airlines were told that they would have to make up the total cost which would be in excess of \$750,000. Commissioner Harris said that the rate they had established and imposed on April 1 takes that into consideration.

Representative Malone stated that carriers were apparently not informed in a timely manner as to rate increases that would be necessary for the expansion, and they are then asked to pay about 3/4 million dollars in increased rates for a dead horse at the time being; that is not their fault, because they never knew about the increased costs until about February. Commissioner Harris said that was correct -- whenever they informed the carriers which was around January 1; at that time the option was before them to go ahead or to ask the department to take this route of defeasance. Without exception, the carriers asked the department to take that route. Representative Malone said that the Commissioner's opinion, then, is that future expansion of necessity will involve some increases for some people. There will be participation or at least sharing of information with the people affected as to what rate increases might apply before the 3/4 million dollars is spent. Commissioner Harris said that was correct.

Representative Malone then asked the Committee and those present to consider the revised capital improvements program presented by the department. Representative Malone said that this has been submitted to the Free Conference Committee on the budget but the House Finance Committee has not yet been able to review the revisions.

Commissioner Harris stated that this is the second revised capital improvements program on international airports. The first one totaled approximately \$2,000,000 more than the one before the Committee at this time. The difference between the two submissions was that there had been a "mis-stating" of the cash balance at the end of the past fiscal year; the prior figure was overstated by 100%.

Representative Malone asked the agency to briefly run through the revisions and to explain to the Committee how the program will meet the needs of the international airport system within the limits they are faced with.

Responding to Representative Malone's request, Mr. Hueners made the following comments on the capital projects:

Parking Lot: the lot is now operating at capacity at peak periods. This project will provide an additional area at a more remote location from the terminal building.

Sewer rehabilitation: Because the Division is turning over the sewer system to the borough, the system must be upgraded to meet a minimum standard before the borough will accept it.

Equipment items: The additional tank, trailer, and tractor will supplement the firefighting capability. The equipment is required under federal regulations.

North-south runway (Anchorage): This is a request for federal monies only.

Northwest Airlines building purchase: Mr. Hueners said they have been negotiating with Northwest Airlines to acquire the northern part of the building terminal which they currently own; an acceptable price has been negotiated.

Runway reconstruction at Fairbanks: Mr. Hueners said that the funds have been spent, and the project costs over-ran two years ago. It was a \$3,000,000 project.

Terminal modification at Fairbanks: Mr. Hueners said this project will be combined later with another terminal project.

Regarding the Anchorage sewer work, Representative Malone asked if there hadn't been problems with the Lake Hood sewer in Anchorage. Mr. Hueners told the Committee that a new overflow line in Anchorage is needed; the current outfall line is flowing at capacity; the change (reduction) of project construction funding down to planning funding was made due to the limited amount of funds available; they reduced it to proceed with the design work, and the actual construction can commence next year. Mr. Hueners added that there is less reason now for the new outfall line due to the new Anchorage airport addition not being built, but the outfall line is still needed. He stated that the outfall line is now operating properly.

Regarding the Fairbanks sewer system, Mr. Hueners said that the plans there are dependent on what the city does when their treatment plant comes on line. Because the plant is not on line, the situation is less critical.

Mr. Hueners said that they had originally contemplated extending sewer service around the lakes, but that has been reduced as well. Mr. Hueners said that until they can operate their outfall, they cannot extend service to more people; however, enough money was left there so the design work can proceed.

Representative Haugen referred to the previous discussion regarding the mis-statement of funds. He asked if he were correct in saying that the \$1,000,000 was a mis-state in information given to the Commissioner as far as what the Division actually had to work with. Commissioner Harris said that the State Auditor had recently told the Division that the previous indicated cash balance in the international revenue fund had been overstated by approximately 100%. Representative Haugen asked if this had been discovered after the private consultant had been hired. Commissioner Harris said the information came to light after the consultant was hired and had completed his work and left. Then the information was received, and a revision in the capital projects budget for international airports was made due to the reduction in funds available.

Commissioner Harris said he had not been able to establish why the balance was overstated or if that was actually the case.

Mr. Noonan said that the error was approximately \$1.5 million - \$2.3 million. There was some transformation made from investments to the cash balance of July, 1974. He told the Committee that the discrepancy had been discovered after discussions between Carl Gonder (Budget & Management Division of Department of Administration) and Mr. Noonan had taken place. They had disagreed on a few items and had found a significant error; they compared information and discovered the discrepancy.

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Mr. Noonan said that he had looked at all the IBM computer runs which he had available only last week, but the one lump sum is not traceable, and their auditors said it would take some time to show exactly where the error occurred and if there is actually \$2.3 million overstated.

Representative Malone asked if an audit was progressing at this time. Mr. Noonan replied no, not at this point.

Mr. Gonder told the Committee that the discrepancy is really between the State's accounting system (computerized runs) and the audit. Mr. Gonder thought that the Main LaFrentz & Co. audit is, in all likelihood, correct, and it is just an accounting error. He added that the Division of Aviation was using the computerized runs which carried the discrepancy. Mr. Gonder did not think that it could be said that there is any problem as far as there being a \$1.5 million overstatement in terms of the audit; it is just a \$1.5 million discrepancy in the State's accounting system, and that entry has been corrected in the books. Mr. Gonder continued to explain that the Division had begun their projections using the computer runs. Commissioner Harris stated that he thought the error had been made in the computer runs furnished to the Division. Mr. Hueners said that the Division of Aviation does not have an accounting section. Mr. Noonan told the Committee that the international airport fund has only two bookkeepers.

Representative Malone thought the situation of SB 311 "inconceivable" in that the State could develop plans for the construction based on projected needs, sell that plan to the Legislature, get a bond authorization, sell the bond authorization, and be on the verge of construction without informing users that they will face substantial rate increases before that point. Representative Malone said that he realized by looking at the correspondence that Commissioner Harris did inform the people that there would be a rate increase to meet the required bond coverage, at which time the entire situation was finally resolved; but in the meantime, it cost the international airport revenue fund approximately 3/4 million dollars.

Representative Naughton asked why there was such a discrepancy between private and State tie-down fees. Mr. Granger stated that the only comparison given to Committee members was Merrill Field vs. Anchorage. There are other comparisons to draw from such as O'Malley Field. He said that some people are perfectly satisfied with the \$12/month tie-down fees. He added that O'Malley is a private field and does not have paved ramps, security guards, or fire security. Representative Naughton stated that correspondence indicates that similar private tie-downs are provided for at \$30-\$45/month. Mr. Granger stated that it was due to supply and demand.

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Many people are on the waiting list at Anchorage International Airport just to obtain wheel space. Mr. Granger said that it is not that \$30/month does not compensate the State for providing a facility, but private facilities can charge more because so few spaces are available.

Representative Malone said that if the cost of the rent does not compensate for the cost of maintenance, that will not answer the question. Mr. Granger said he felt it did because the State more than breaks even on general aviation charges. He stated that they had had their first major increment construction on the Lake Hood system at Anchorage International this year -- the development of the sea-plane expansion project. Mr. Granger said that other than that, the security expense and snow removal on the apron are the largest costs they put out at the international airport for general aviation. The only maintenance involved for the float planes is lighting.

Representative Naughton asked if those operations assess landing fees. Mr. Granger said that their use of the field is compensated for by flowage fees and tie-down fees. He added that they would pay landing fees if over 6,000 pounds.

Representative Naughton asked why the bookkeepers had not noticed the computer run which carried the 100% discrepancy. Mr. Granger said that the bookkeepers are located at Anchorage and Fairbanks, and their activity is dedicated to bill collecting and bookkeeping -- not revenue or capital fund accounting.

Representative Naughton pointed out that someone must read the computer print-out. Mr. Hueners stated that without having the complete information on the investment program there is no way at the Division level "that they can monitor this thing".

Representative Naughton asked who was responsible for that investment fund. Commissioner Harris replied that the Department of Revenue actually handles the investment funds. Representative Naughton said that these funds then are actually the revenue bond monies sold but not yet spent for capital projects. Commissioner Harris said that some of that is revenue bond money; some are retained earnings, replacement funds. Mr. Noonan said that the funds are invested separately. He told the Committee that another incident had occurred where they had mis-invested \$6 million and the general fund got credit for it on the interest which should have been put in the international airport revenue fund. The error has been corrected, and the Division of Aviation received the credit of \$228,000.

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Mr. Gonder told the Committee that the discrepancy involved a different figure showing on the audit report and the computer run. The Division of Aviation had used the computer run for their projections instead of the audit report. The correction for the discrepancy was made several months after it appeared on the June 30 report, therefore the August 30 report was correct. Mr. Gonder added that the June 30th report could not be corrected after it was printed. In making their projections, the Division of Aviation was using a run that had not been corrected.

Representative Gruening asked if there had been any correlation between the discovery of the discrepancy and the determination for the need for raising the rates. Commissioner Harris replied that there was no correlation. He said that to his knowledge, the discrepancy had been discovered not more than one month ago when they revised their capital improvements program for the final time. Representative Gruening said that perhaps the revenue requirements of an additional \$2.8 million are optimistic. Commissioner Harris said he thought it will have some effect in that it will shorten the time frame when they will go into a new rate increase.

There being no further discussion, Representative Naughton moved to report out SB 311; there was no objection. The Committee Report was signed as follows:

Recommending that SB 311 do pass: Buchholdt, Malone,
Naughton, Haugen

Signing "no rec": Duncan, Itta, Cowper

Representative Malone informed the Committee members that a narrative Committee report would be available for the members' review the following morning.

Representative Malone announced a Committee bill session at 12:30 p.m. the following day.

There being no further discussion, the meeting adjourned at 11:30 p.m.

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HOUSE FINANCE COMMITTEE
Saturday, May 31, 1975
1:45 p.m.

All members were present with the exception of Reps. Gruening PRESENT and Naughton. Also present were Commissioner Warwick, Bill Miles, Commissioner Harris, and Mr. Van Houte.

Mr. Malone called the meeting to order. First item on the agenda was SENATE BILL 279 AM (Competitive bids). Mr. Malone said that the section on percentages in favor of Alaska bidders in the House Commerce Committee Substitute would have significant financial impact. The fiscal note the committee had was on the original bill. Mr. Warwick said that his department could do an interim study on the effect of increasing the bidders preference and report back to the legislature next session. For this reason, the committee decision was to hold off on the provisions of the committee substitute and the motion was made to report 279 am out of committee. No objection, so ordered. Committee report was signed with a unanimous do pass recommendation. MOTION

(Reps. Gruening and Naughton entered the meeting.)
SENATE BILL 226 am (Supplemental - Public Works) was brought up for consideration. SB 226am appropriates \$30,000 for the division of communications for television translator systems in Kenai and Homer and \$145,000 for cost overruns on the Ketchikan Airport. However, committee sentiment was that the \$400,000 originally request for the overruns on the Ketchikan Airport should be reinstated, based on testimony from Commissioner Harris that the money will otherwise be made up from secondary airport projects in other areas of the state. SB 317 was brought up. This is another supplemental to Public Works: \$147,000 for the negotiated settlement with Lockheed and \$17,000 for increased costs of projects authorized in the FY 1970 ferry bond issue. The committee decided to combine SB 226am and SB 317 and, in addition, to appropriate \$362,800 to fund operations in Trunk and Secondary Airports for the remainder of FY 75. The department had requested that an additional \$438,800 be provided. However, the committee decreased that by \$76,000, an amount equal to the indebtedness in excess of their lapse figure for 1974. It was moved that a finance committee substitute for SB 317 be prepared incorporating those changes and that it be reported out of committee. No objection, so ordered. The bill was reported out of committee with individual recommendations, Reps. Malone, Duncan and Cowper signing do pass; Reps. Buchholdt, Itta and Guy signing no recommendation; and Rep. Greuning signing do not pass. MOTION

Meeting recessed at 2:00 p.m.

RECESS

AFTER RECESS
HOUSE FINANCE COMMITTEE MEETING
May 31, 1975
2:15 PM

Members present: Vice Chairman Buccholdt, Representative Duncan, Itta, Guy, Cowper, Naughton, Mr. Wallace, Mr. Van House, Mr. Gates

Vice Chairman Buccholdt called the meeting to order. The first item on the agenda was CSSB 225, an act relating to governmental reorganization.

CSSB 225

Mr. Wallace comment on this Bill and suggested that the words "feasibility study" be considered in place of the words "plans, programs, contracts and agreements" in the Bill. Representative Duncan made a motion that the words "feasibility study" replace the words "plans, programs, contracts and agreements" wherever they appear in the Bill. No objections. - so ordered.

Representative Itta stated that she felt the articles and brochures distributed regarding Alaskan culture could be more accurate. She suggested they be reviewed before going to press. Mr. Motley agreed.

Representative Malone and Representative Gruening entered the meeting.

Representative Duncan recommended that in Section 44.19.625 The Alaska Division of Tourism should be created in the "Department of Commerce and Economic Development" instead of in the Office of the Governor. Representative Gruening moved the motion be adopted. No objections - so ordered.

Representative Gruening moved the Bill be reported out with unanimous consent. No objections. Majority - Do Pass.

Vice Chairman Buccholdt recommended the combination of SB 46 and HB 149 and that they should be labelled SB 46, "an act relating to teacher's retirement system and providing for an effective date."

SB46
HB 149

Representative Gruening made a motion SB 46 and HB 149 be Reported Out together, with the HESS amendments added as Section 7. The Bill would be HCSSB46. Motion adopted. Majority - Do Pass.

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Finance Committee Meeting
May 31, 1975
2:15 PM
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Mr. Robert Gates testified on behalf of SSHB 64, an act relating to the public employees retirement system, and suggested two changes. He recommended that under Section 1 (a) the wording be changed to read "each peace officer and each fireman shall contribute five percent and every other employee shall contribute seven percent of his compensation to the public employees retirement system. It was also suggested that Section 2 be deleted in its entirety and the other sections be renumbered accordingly. Mr. Gates indicated that the total cost would be approximately \$2.8 million. Mr. Van Hoete commented on these changes and explained in detail what the amendments meant.

SSHB 64

Representative Duncan made a motion the Amendment be adopted. Mr. Cowper objected.

After a lengthy discussion it was moved that a vote be taken on the recommended amendments. The vote passed with 5 yeas and 1 nay.

Representative Duncan made a motion the Bill be reported out. Mr. Cowper objected. The Bill was reported out of Committee with an individual recommendation of 4 do pass.

SB 228, an Act relating to the membership of the state bond committee, was brought to the attention of the Committee.

SB 228

Representative Guy moved that the Bill be reported out. No objections. Majority - Do Pass.

Adjournment 4:10 PM

NOTE: It was brought to the attention of the Committee after the meeting that the \$2.8 million had been an arithmetical error and was corrected by Mr. Gates. A new fiscal note was presented with the corrected figures of \$3,128.3 million.

AFTER RECESS

4:50 p.m.

Chairman Malone called the meeting back to order. SENATE BILL SB 367 367 was brought up for consideration. Mr. Malone said that the fiscal note does not reflect what the cost will be. The key element in the bill is line 28, which repeals money going to the local school districts. In essence, this would be adopting Ms. Justice's plan. Mr. Duncan asked why this would be more expensive. Mr. Guthrie said that that the money will go into education. The only effect will be that school districts will not be getting that money. The main difference is how it will be affecting SOS students. The Free Conference Committee has preliminarily gone along with the Senate version of this and set \$300,000 for those students. SOS students will be handled by centralized correspondence and the cost will be \$600,000 approximately. After lengthy discussion, a proposal was made to hold the bill in committee until next session. Reps. Naughton and Duncan objected. Committee went on at this time to other items on the agenda.

Ms. Patty Ann Polley, Director of Elections, was present at this time. HOUSE BILL 300 (Revision of Election Code) was brought up HB 300 for consideration. Ms. Polley went through the bill and the proposed Judiciary committee substitute section by section. The committee chose to work from the Judiciary substitute. One item in the Judiciary Substitute was changing the open primary to a closed primary. This is sections 21 and 22 of the substitute. Mr. Cowper moved to delete those sections. Messrs. Naughton and MOTION Gruening objected. On vote, motion carried, 4-3 Messrs. Naughton, Gruening, and Malone voting no.

On page 10, line 14, Mr. Naughton moved to change 5 to 15. The MOTION reasoning behind this is the slow mail service. No objection, so ordered.

There was an amendment proposed by the Director of Elections. Mr. Malone moved that amendment, on page 8 of the committee sub- MOTION stitute, to delete following "office" all of lines 17 through 22, deleting (3) and inserting the words "and also", thus making it all one section. No objection, so ordered.

There was discussion on the last line of Sec. 2 (2) on page 1 of the bill which reads "Temporary construction camps do not constitute a dwelling place." Mr. Gruening did not feel that that would hold and furthermore noted that there are long time Alaska residents whose only residence at this time is a temporary construction camp. He moved to delete the language. Messrs. Duncan and MOTION Malone objected. On vote, motion failed, 4-3, Reps. Gruening, Haugen, and Naughton voting yes.

Mr. Malone inquired about Section 3 on page one. Ms. Polley said that it was an attempt to clarify the definition somewhat, since so much of residency is just intent. Mr. Malone objected to the

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language and moved to delete the entire section. No objection, MOTION
so ordered.

Mr. Gruening moved to report a finance committee substitute MOTION
incorporating all the foregoing adopted amendments out of com-
mittee. No objection, so ordered. Majority report was do pass,
with Reps. Naughton and Haugen signing no recommendation.

HOUSE BILL 465 (Vocational Teacher Training) was brought up for HB 465
consideration. Mr. Gruening moved to report out a finance MOTION
committee substitute deleting the words "at the University of
Alaska" on line 13, as moved in an earlier meeting. No objection,
so ordered.

Meeting adjourned at 6:30 p.m.

ADJOURNED

HOUSE FINANCE COMMITTEE
Sunday, June 1, 1975
3:40 p.m.

SENATE BILL 343 (Wildlife Photography) was brought up for SB 343
consideration. Mr. Cowper moved to report it out of committee. MOTION
No objection, so ordered. Majority report was do pass, with
Rep. Itta signing no recommendation.

SENATE BILL 32 am (Refunds for disaster loss under the motor SB32am
fuel oil tax) was brought up for consideration. Mr. Cowper
moved to report it out of committee. No objection, so ordered.
Majority report was do pass.

SENATE BILL 198 am (refunds for disaster loss - liquor tax) was SB 198am
brought up for consideration. Mr. Duncan moved to report it out
of committee. No objection, so ordered. Majority recommendation
was do pass, Ms. Itta signing no recommendation.

SSHB 432 (child protection) was brought up for consideration. Mr.
Gruening moved to report it out of committee. There was a SS HB 432
Judiciary substitute which deleted the word "physical" abuse.
Mr. Duncan moved to report out the Judiciary Substitute. No MOTION
objection, so ordered.

Meeting adjourned at 4:20 p.m.

ADJOURNED

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HOUSE FINANCE COMMITTEE
Monday, June 2, 1975
2:05 p.m.

All members were present with the exception of Reps. Guy, Gruening, and Naughton. PRESENT

Chairman Malone called the meeting to order. There was discussion on plans for next year, and the committee decided to meeting a week before the session, setting January 5, 10 a.m., in Juneau as the schedule.

SENATE BILL 266 (Transfer of motor vehicle functions to Public Safety) was brought up for consideration. Mr. Malone said that this is an Administration priority. This meets with agreement of the departments. He moved to report it out of committee. No objection, so ordered. MOTION

SENATE BILL 367 (Correspondence Study) was brought up for consideration. There was a proposed committee substitute, which would give the student, or the student's parents, the option of district or centralized correspondence study. Mr. Guthrie said that Mr. Cole had looked at the proposed committee substitute and saw no problems with it.

Meeting recessed at 2:25 p.m.

HOUSE FINANCE COMMITTEE

June 2, 1975 :

5:20 p.m.

Chairman Malone called the meeting to order. All members were present with the exception of Representatives Buchholdt and Naughton.

Present

The Committee considered CSSB 367, an act relating to correspondence study and providing for an effective date.

CSSB 367

Representative Malone explained that the program is now funded at \$300,000; an additional \$240,000 must be considered at this time, the amount representing those State-Operated Schools correspondence students. He stated that it was a good program and there may be a possibility of picking up some of the cost from the foundation program through transfers. A revised fiscal note will be delivered to the House Finance Committee shortly.

Representative Gruening suggested deferring the bill for one year. Representative Duncan stated that concern has been expressed over any postponement because the result would be a decentralized system by next winter. Representative Duncan said he did not fully understand the precise reasoning but thought that if the program is turned over to the districts, the districts will not provide proper services.

Representative Malone pointed out that the districts can pick up funding for correspondence studies; the bill mandates the Department of Education to take care of the program.

Representative Duncan moved to report out CSSB 367. Representative Itta asked what amounts were involved in the fiscal note. Representative Malone stated that 400 students @ 23 instructional units @ \$23,500 per unit = \$542.9.

Motion

Representative Malone suggested insertion of the word "correspondence" after the word "district" on Page 2, Line 9 of the proposed Finance Committee Substitute.

The question was called for, and there being no objection to report out the bill (with the above amendment--adding the word "correspondece"--) it was so ordered. The Committee Report was signed as follows: Recommending that CSSB 367 be replaced with a House Committee Substitute and that the House Committee Substitute do pass were Duncan, Cowper, Haugen, Malone, Itta; Representative Guy signed "no rec."

Representative Malone stated that the bill would be held in the Rules Committee until the new fiscal note (revised) from the agency arrived.

There being no further business, the Committee adjourned at 5:35 p.m.

Adjourn

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