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Capital Site Selection Committee Hearing

79a - 79h

SENATE FINANCE COMMITTEE

January 21, 1975

9:05 a.m.

Senators Ray, Poland, Rader, Chance, Hohman, Butrovich and Sackett were present.

PRESENT

Chairman Ray called the meeting to order and introduced the following members of the staff: Rich Guthrie, Senate Fiscal Analyst; Kirsten Waid and Brenda Edenso, Senate Finance Committee Secretaries; Jim Fennel, his Administrative Assistant; and Lois Sturgess, his Secretary.

STAFF
INTRODUCTION

Chairman Ray explained to the Committee that there are nine categories in the budget and that each member of the Committee would serve on a subcommittee for the separate categories. He had been informed by the Administration that their budget would not be completed until January 28 and that the Red Budget books probably wouldn't be available until after February 15. In the meantime, Senator Ray felt they ought to familiarize themselves with the budget. He noted that a condensed one page version of the BRU's (Blue Book) was available to them.

BUDGET
DISCUSSION

Senator Hohman asked who had condensed the information, and Senator Ray replied that he had done it.

Chairman Ray went on to say that all meetings would be open to the public. However, they could go into executive session at any time one of the members felt it necessary--for example, to discuss personalities. He stressed that no official business would be conducted during these executive sessions.

MEETINGS

In answer to a question from Senator Rader, Rich Guthrie stated that the Finance Division has one complete copy of the Departmental budgets. He explained that the Administration waits to make up copies until after the Governor's figures are written in.

BUDGET
DISCUSSION

Senator Hohman asked about the Revenue Projection meeting. Sen. Ray said that it would probably be a joint session with the House Finance Committee, but he didn't know yet when it would be held.

Chairman Ray then asked that each member write down his choice of budget categories and submit it to Jim Fennel before the next meeting.

Meeting adjourned at 9:20 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
Thursday, January 23, 1975
11:00 a.m.

All members of the Committee were present.

PRESENT

Mr. Dwayne Carlson, Member of the Capital Site Selection Committee was also present. In addition, Elaine Mitchell was in attendance representing the Press.

Chairman Ray called the meeting to order and brought SEN-
ATE BILL NO. 47 (An Act making a special appropriation
to the Office of the Governor for the Capital Site Selection
Committee) up for consideration.

SB 47

Witness, Dwayne Carlson, a member of the Capital Site
Selection Committee was asked to testify.

Mr. Carlson explained that the Capital Site Selection
Committee had held one meeting in Anchorage, but that
it had not been a meeting of the whole Committee. They
had elected a temporary Chairman, and it had been mostly
an organization meeting. They felt that a general budget
would be impossible to justify on short notice, and that
it would be more desirable to ask for an operating budget.
They would then hire someone to develop a full budget.
He went on to say that the Committee would be down before
the end of the Session to ask for this full budget.

Senator Hohman asked whether this operating budget would
be deducted from the full budget, and Mr. Carlson said
that it would be.

Senator Sackett was concerned as to the extent the Committee
would become involved how many consultants they would hire,
what type, staff size, travel, etc. However, Mr. Carlson
was not prepared to respond on behalf of the Committee
because they hadn't gotten into the philosophy of it yet.

Mr. Carlson stated that the two studies before them ranged
from around \$1 million to \$1.5 million. One thing that
the Committee would do differently from the studies would
be to hold more public hearings around the State.

Senator Chance asked if this was more of an advance on
what would be presented as a complete budget before the
session, and was told that was correct.

Senator Chance then moved that SB No. 47 be moved out
of Committee with a DO PASS recommendation. The question
was called and the motion carried with 4 members in favor
and 2 members voting No Recommendation.

MOTION

Meeting adjourned at 11:15 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
Friday, January 24, 1975
11:15 a.m.

All members of the Committee were present with the exception of Senators Sackett and Rader.

PRESENT

The Chairman called the meeting to order and drew attention to the list of possible subcommittee assignments passed out previous to the meeting. He said that he tried to assign everyone as a subcommittee chairman. The assignments are as follows:

SUBCOMMITTEE
ASSIGNMENTS

Admin. of Justice	Butrovich, Ray, Rader
Development	Chance, Rader, Sackett
Public Protection	Hohman, Chance, Sackett
Nat. Resources	Rader, Poland, Butrovich
General Govt.	Poland, Ray, Butrovich
Health & Social Services	Sackett, Hohman, Ray
Education (Dept.)	Ray, Chance, Hohman
Education (U. of A.) (S.O.S.)	Committee of the Whole
Transportation	Committee of the Whole

Senator Ray asked that the Committee members make formal motions. The reason for this is that it will keep the motions in proper sequence. In the past their action was sometimes questioned, and perhaps the intent was not put down.

COMMITTEE
PROCEDURES

Senator Ray also stated that there should be no other Senators sitting at the conference table except members of the Finance Committee.

With the exception of Transportation and Education, the blue books were ready, and he was asking Lois to run them off for the members. The Committee members were asked if they wanted Senator Ray's recommendations on the bottom of the budget pages. It was agreed his recommendations would be given.

BLUE BOOKS

Senator Ray advised that each subcommittee chairman would present the budget for his subcommittee category to the rest of the Finance Committee.

SUBCOMMITTEE
PROCEDURES

The meeting was adjourned at 11:25 a.m.

ADJOURNED

SENATE FINANCE COMMITTEES

January 28, 1975

11:30 A.M.

All members of the Committee.

PRESENT

Chairman Ray called the meeting to order. Several bills had been referred to the Finance Committee, and Chairman Ray made the following Bill Assignments:

BILL
ASSIGNMENTS

- | | | |
|-------|--|-------|
| SB 2 | Relating to the definition of peace officer and fireman for the purposes of the Public Employees Retirement System. SENATOR SACKETT. | SB 2 |
| SB 8 | Making a special appropriation to the Department of Highways for design of a bridge from the Ketchikan airport on Gravina Island to Revilla-gigedo Island. SENATOR POLAND. | SB 8 |
| SB 20 | Relating to permanent part-time employment in State Service. SENATOR BUTROVICH. | SB 20 |
| SB 63 | Making a special appropriation to the Department of Public Safety, building security. SENATOR RADER. | SB 63 |
| SB 64 | Making a special appropriation to the Department of Education for the Alaska Skill Center. SENATOR RAY. | SB 64 |
| SB 65 | Making a special appropriation to the Department of Labor, employment security division. SENATOR HOHMAN. | SB 65 |
| SB 66 | Making a supplemental appropriation to the Department of Public Safety. SENATOR SACKETT. | SB 66 |
| SB 67 | Making a supplemental appropriation to the Department of Highways. SENATOR CHANCE. | SB 67 |
| SB 68 | Making a supplemental appropriation to the Department of Military Affairs, Alaska National Guard. SENATOR HOHMAN. | SB 68 |
| SB 77 | Making a supplemental appropriation to the Department of Military Affairs. SENATOR RAY. | SB 77 |
| SB 78 | Making a special appropriation for the payment of miscellaneous claims. SENATOR HOHMAN. | SB 78 |

Chairman Ray then requested that they record with the Secretary how they made their research and who they talked with, etc.

Meeting adjourned at 11:35 a.m.

ADJOURN

JOINT HOUSE & SENATE FINANCE COMMITTEES
Monday, January 27, 1975
1:30 p.m.

All members of both House and Senate Finance Committees were present with the exception of Senator Poland and Rep. Buchhold. PRESENT
Also present were Commissioner Gallagher of the Department of Revenue and members of his staff: Messrs. Stevenson, Eppenback, Kimlinger, Wall, Boetsch; O. K. Gilbreth, Director of the Oil and Gas Division, Dept. of Natural Resources; and other interested persons.

House Finance Chairman Malone called the meeting to order. REVENUE
Committee members and Department personnel introduced themselves. PROJECTIONS
Chairman Malone explained that the purpose of the meeting was to take a look at revenue projections, and he gave Mr. Gallagher the floor.

Commissioner Gallagher distributed some materials to the committee (See General Government subject files) and gave a brief introduction to the forthcoming presentations. He then requested Mr. Gilbreth, Director of the Oil and Gas Division, Dept. of Natural Resources, to make his presentation. Mr. Gilbreth began by reading from the Revenue Sources book. (See General Government subject files.) OIL & GAS
Mr. Gilbreth said that in making projections, they have assumed the wholesale price index will increase 10% per year. Current year tax income is up considerably. He said that the oil income is down, because a larger increase in dollars per barrel had been estimated. The crude oil price is frozen at the national level, although new oil can be sold without relation to the frozen price. He said that \$6.00 per barrel is the price for frozen oil, and new oil is going for \$11 per barrel. (Cook Inlet well-head price is \$4.79-4.83.) He mentioned that the Prudhoe estimates are based on 7/1/77. After that point, production will increase fairly rapidly.

Mr. Gilbreth continued, explaining that they have been preparing a simulation model of Prudhoe, and have been making good progress with that. This has been going on a little over a year and is due to be completed late this fall at which time they hope to have an analysis of the best way to produce the Prudhoe Bay Field. Production from Prudhoe itself will start declining between 1986 and 1988 he said.

Mr. Gilbreth further stated that the estimates for state income have been based on refinery values in California plus transportation costs.

Senator Ray requested copies of information making up these projections.

Mr. Malone wondered whether projections on the pipeline weren't already low. Mr. Gilbreth said that \$6 billion is the best figure they have to go on now. He said that this could be plus or minus 20 or 30%. Mr. Eppenback said that the variable in this figure is how productive labor will be.

Senator Ray mentioned the Governor's alluding to a \$10 billion figure and wondered whether perhaps this was based on information that he had which the departments did not have. Mr. Eppenback said that the Governor's figure has a speculative component in it. He said that although this \$10 billion figure has not been ruled out, the best hard estimate is \$6 billion.

Senator Ray asked if that is better for the state, to which Mr. Eppenback replied yes.

Senator Rader inquired about the effect President Ford's recent proposal for import oil taxing will have on these oil projections. Mr. Eppenback said that they do not know how the tax would be applied -- if there would be an increase to wellhead price or what. All that they have to go on at this point are fragmentary newspaper accounts so there is uncertainty as to just what is involved.

Senator Rader asked if this would affect the state's royalty interest, and Mr. Eppenback said that he did not believe so, but could not say for sure.

In response to questioning by Mr. Malone about the 1978 projections, Mr. Gilbreth said that if the controls are "thrown off" there is no reason to assume Prudhoe would not be considered new oil.

In response to questioning by Senator Ray about the President's suggested \$3 per barrel, Mr. Gilbreth said that as he has understood it, the \$3 tax would be put on the wellhead price, so it will reach all consumers. Refinery prices and consumer prices will both be increased, if so.

Brief discussion continued, as to whether or not the President's proposal related to foreign or domestic oil, frozen or new oil, but there was not sufficient information available to clarify the issue at this time.

Rep. Malone asked about the wholesale price index, where it comes from and how it is generated.

Mr. Boetsch said that the wholesale price index for production is generated by the U. S. Bureau of Statistics from information based on the relationship of new and old oil coming out of the federal Energy Office. The state gets those calculations and adjusts the

cents per barrel rate every month.

There being no further questions of Mr. Gilbreth at this time, Mr. Eppenback next gave a presentation on the status of the state's treasury. He distributed copies of a run giving the estimated non-marketable investments as of December 31, 1974, with projections up to 1979. (See General Government subject file.)

Mr. Eppenback spoke about some of the assumptions made in determining status of the treasury, and he cautioned the committee members not to assume that computer runs and figures necessarily imply accuracy. He explained that there are a variety of factors to be taken into consideration in examining any of the financial reports.

Senator Sackett asked what the actual average rate of return on investments is. Mr. Eppenback said that 6.53% is the realized rate of return. INVESTMENTS

Senator Ray noted that in speaking of a \$550 million budget, this is referring to operating general fund expenses. Mr. Eppenback said that that is correct; it does not include restricted funds.

Discussion followed, briefly explaining restricted vs. non-restricted funds. Mr. Eppenback noted that budget size does not include the restricted federal funds.

The subject of the cash float in the state budget was raised. Mr. Eppenback noted that at any given time there may be \$40 or \$50 million due to bills committed but not yet paid. He mentioned that another critical topic is the matter of cash available, noting that there is a significant portion of the general fund tied up in investments. Thus for a variety of reasons, the financial reports can be misleading. There was considerable interest in this subject, and concern about more accurate financial reporting. Mr. Eppenback stated that the new administration has expressed its interest also in seeing that methods for accurate financial reporting are developed.

Mr. Specking asked if it is correct that the state is getting out of the equity business by June. Mr. Eppenback said yes. He said that the decision was made to do so over the next six months, and definitely by June to be entirely out of the stock market. There was discussion, he said, about whether perhaps getting out over a longer period of time would be more advantageous, but because of a certain need for these funds it was decided to definitely get out by June. This is a firm commitment.

In discussing options open to the state in dealing with the impending financial problems, Mr. Eppenback again mentioned the cash float. He noted that since the state does not pay all its bills on one day,

use of the cash float is an option.

Mr. Gruening, referring to the non-reimbursable investments, asked why CD (Certificate of Deposit) notes are not considered reimbursable. Commissioner Gallagher said that although according to recent law, a hardship letter does not have to be written in order to cash in CD notes, there is a 90-day penalty for doing so, in addition to which it would mean the state would be breaking contracts.

Senator Rader wondered why the CD notes couldn't be renegotiated. Mr. Eppenback said that presently they are negotiable CD's with collateral but they would become negotiable CD's without collateral and so would be difficult to renegotiate.

In response to questioning by Mr. Naughton, Mr. Eppenback said that the overall portfolio rate of return is 6.5%, various programs ranging from around 5% (Alaska Housing Finance Corporation) to 8% plus (Small Business Loans). He noted that Veterans' Loans are 7.5%. Mr. Naughton asked if it correct that the state is "eating" some of the Veterans' Loans. Mr. Eppenback said around 8% are over 30 days delinquent.

Mr. Naughton asked about Bank Incentive Loans. Mr. Eppenback said that these were purchased from Alaska banks from 1970 through 1971 and are yielding 8 1/2 to 8 3/4%. That program was discontinued. Mr. Naughton wondered if this is where "bad accounts were dumped". Mr. Eppenback said no, that the general fund never had any bad loans "dumped" on them as they were very careful.

Mr. Fink pointed out that the average return last year was 3.64% and that the VA loans were the best part of the portfolio. Mr. Eppenback said that the 3.64% is from picking up one year. However, two years before that the rate of return was 10% and this year it will probably be over 9%. He did not seem to feel that singling out one year gave a very accurate picture of the investment returns.

Meeting recessed at 3:00 p.m.

AFTER RECESS

3:10 p.m.

Chairman Malone called the meeting back to order, and asked Mr. Frederick P. Boetsch, Director of Revenue Audit, to make his presentation.

Mr. Boetsch referred to a looseleaf folder in which 12 different schedules were contained and another packet which gave background material to historical trends in the different tax types. He explained the handouts and gave an overview as contained in the Revenue Source Book. (For handouts, see General Government Budget Category File, Div. Leg. Finance.) Senator Orsini questioned income tax lost to the State by out-of-state workers on the Slope. Mr. Gallagher said that they have done away with the W-4E forms, hoping to help correct this. He did admit that it is quite a problem.

TAX TYPES

Mr. Gruening asked the reason for the miscalculation in the individual income taxes budget estimate for 75 to make them short \$10 million. He was told that although there were a variety of factors, it was to a large extent Alyeska related.

INDIVIDUAL
INCOME TAX

Mr. Cowper asked if they had factored in the likelihood of a lot of new people who were non-residents. Mr. Stevenson replied that fortunately non-residents paid a larger state tax according to the tax schedules, assuming they didn't doctor the forms.

It was remarked that individual income tax projections take a substantial jump this year which continues next year. Some of the activity has to do with service companies associated with pipeline construction.

The question was then raised as to whether there was a similar relationship in the increase in corporate income taxes. Mr. Boetsch said yes, but that it wouldn't show up until 1977 and that it would come in strongly in 1978. He said they had to take into consideration that they file on a fiscal year basis so that collections come in later than they do for individuals.

CORPORATE
INCOME TAX

Chairman Malone commented that severance tax projections for gravel, timber, etc. were very low for FY 75. He wondered whether this was one of the areas where they were not covering the cost of administering the tax. The Commissioner thought that was so.

Mr. Phil Wall then gave a presentation on Motor Vehicle Registration. His comments concerned the selling of license plates, and not administrative things like issuing titles and copies of registration, etc. He explained that license plates now run from \$4 for personal vehicles to \$160 for heavy commercial trucks or trailers. There is an average growth of around 9%

MOTOR
VEHICLE
LICENSES

up through 1974. In the last half of 1974 there has been an increase to 22%, so he assumed an increase of 13% for 1974-- pipeline impact would be the difference--and 1975 should be higher.

Mr. Specking asked how they compared with other states on these types of heavy motor units.

Senator Orsini asked if they had ever researched the increase in construction costs because of the heavier units using the highways. Mr. Wall didn't know, but he thought the Dept. of Highways did calculations of that type.

Representative Brown noted that truckers had paid the same amount for license plates for a number of years now. Mr. Wall stated that the last registration fee hike had been in 1962.

Sen. Orsini brought up the problem of mobile homes, and the fact that many of them could either be licensed or taxed as property. Mr. Wall explained that under the existing Motor Vehicle Act certain types of motor homes qualify as off-highway vehicles. If one chooses to be in the grey area and have his motor home remain a mobil vehicle, he can do so for only a \$4 license fee for the initial movement only. Once stationary, they don't have to pay it. There was brief discussion as to the impact on local taxation.

Mr. Wall went on to talk about Liquor Licenses, and referred to the Revenue Source Book. He said that a total of 1150 licenses had been issued in 1974. Four or five of these were active licenses while the rest were low volume.

LIQUOR
LICENSES

The Commissioner pointed out that the cost of administering this particular license was almost 25% of the income. On Motor Vehicles it is 16%, and on all of the rest it is less than 2%.

Mr. Kimlinger then spoke about Sports Fish and Game licenses, which were, on the average, going up. He said that in FY 73 non-resident fees increased, and that they were probably looking at a slight increase between FY 74 and 75. He went on to say that the Dept. of Fish and Game was proposing changes in resident fees.

SPORTS FISH
AND GAME
LICENSES

revenue from

He stated that/Commercial Fishing license fees would probably be going down over the next years because of Limited Entry, but that this would be a slow reduction. He said that on Page 4 of the Revenue Sources Book, in the middle of the page, where it said Commercial Fishing, it should actually read Sport Fishing/Hunting fees.

COMMERCIAL
FISHING
LICENSE

Mr. Stevenson then made a presentation on Excise Taxes. See Budget Book for that Division for information presented. His first comments were in regard to the Highway Fuel Tax.

EXCISE
TAXES

Mr. Cowper asked him why we have a rebate system. Mr. Stevenson replied it was probably in accordance with procedure in other states which have off-highway systems. He mentioned that right now a refund was going to timber and drilling rigs.

Mr. Stevenson next spoke in regard to the Aviation Fuel Tax. (See Budget Book for content of presentation).

AVIATION
FUEL TAX

He went on to speak of the Watercraft Fuel Tax. (See Budget Book for content of presentation.)

WATERCRAFT
FUEL TAX

Mr. Stevenson, referring to the Cigarette and Tobacco Tax, stated that only 7 states have a lower tax than Alaska. He drew their attention to Schedule #4 in the loose leaf file. He explained that over the last ten years this has been one of the excise taxes that states raise in order to increase their budget. He then read from the budget document.

CIGARETTE &
TOBACCO TAX

The Commissioner noted this particular tax was not a very effective revenue sharing devise because by statute it is supposed to provide 50% of school construction costs.

Mr. Naughton pointed out, in a discussion of fees from various vendors, that one machine operator can route 50 machines and his license tax is the same as if he only had one machine.

Mr. Stevenson went on to discuss Alcoholic Beverage Taxes, Schedule Number 5, and again read mostly from the budget document.

ALCOHOLIC
BEVERAGE TAX

Mr. Stevenson concluded his presentations with comments on the Raw Fish Hatchery Tax.

RAW FISH
HATCHERY TAX

Mr. Naughton requested information regarding how much of the Alaska Salmon was being taxed here at freezer rate and then shipped to Washington and taxed as opposed to that canned in Alaska and taxed at the canning rate. Mr. Stevenson said he would check to see if that information was obtainable.

Before Closing, the Commissioner commented that the corporate income tax projections are based on compliance with the Multi-State Tax Compact. Mr. Malone asked if they anticipated any problems with this, and Mr. Gallagher said there were already problems. There is presently a suit on the constitutionality of the Compact.

MULTI-STATE
TAX COMPACT

Meeting adjourned at 4:50 p.m.

ADJOURN

SENATE FINANCE COMMITTEE
Wednesday, January 29, 1975
11:00 a.m.

All members of the Committee were present.
Present also was Richard Winchell, Deputy Director
Division of General Services and Supply.

PRESENT

Chairman Ray called the meeting to order and asked
if any of the subcommittees were prepared to present
any of their bills to the Committee.

Senator Hohman moved and asked unanimous consent that
SENATE BILL NO. 68 (An Act making a supplemental
appropriation to the Department of Military Affairs,
Alaska National Guard) be brought up for discussion.
The supplemental appropriation is in the amount of
\$31,300.

SB-68

The appropriation breaks down into two requests. One
request is for additional money to cover State armory
utility costs; their original request was for \$45,500
which was cut by the Budget Review Committee to \$33,000.
They find that so far this year they have spent
\$14,300 in the first four months of operation. At the
end of December 3, they had expended \$18,750 with some
bills yet to be paid. Their projects are going to need
\$12,500 which will bring their total appropriation
this year up to \$45,500. This is the amount that was
requested by the Utility Department last year before
the cut.

The second request is for \$18,750. This request relates
to the Department of Military armory repairs appropri-
ation of \$75,000 which was included in the Budget.
An emergency operation occurred in Anchorage at the
CSMS (Combined Support Maintenance Shop). The
sewage system went out and repairs amounted to \$75,000, the
amount of the original appropriation intended to provide
maintenance for ten stations throughout the State. The
Federal Government provided 75% of the needed repair funds,
leaving the State of Alaska to match the remaining 25%,
which was \$18,750. The funds from the State are being
utilized from the Armory Construction appropriation, and
the Department is requesting that the money be restored
to attend to the other ten armories.

Senator Sackett expressed his concern with Part A. He asked what the funding was the year before.

Senator Hohman did not have the figures, and Senator Ray requested that they be obtained.

Senator Butrovich noted that it was a strange coincidence that the supplemental appropriation to cover utility costs would bring the total appropriation for that item up to the exact original amount requested which was cut.

Senator Hohman stated that the cut was by the Executive Branch and not the legislature.

Returning to the second request, Senator Ray said the \$75,000 is three-quarters Federal and one-quarter State. This was approved by Budget and Audit, and the entire funding should have appeared in the Revised Program.

Senator Hohman answered that the funding was expressed in the Revised Program, which he quoted. They were honest in their presentation to Budget and Audit.

Senator Ray asked why the \$18,750 wasn't included in the presentation.

Senator Hohman stated that the original \$18,750 was to take care of the other ten armories. Anchorage was an emergency. The Department had to borrow 25% of the \$75,000 to come up with the match.

Concerning the utility request, Senator Hohman said they may have a good case in saying that they were right in their original request. They did have documentation for utility purposes for the first four and first six months. On the basis of those figures it seems realistic that they are going to need the extra money.

Senator Sackett said they should have actual figures as to total cost of utilities for fiscal year 1973. He couldn't see cutting back on utility costs that are actual.

Senator Hohman mentioned that the Finance Committee appropriated the original request.... Inflation was overstated and this was the reason for the cut.

The Chairman asked if there was any further discussion and whether the Committee wanted representatives from the

Department of Military Affairs, Alaska National Guard to appear before the full Committee.

Senator Ray suggested that the subcommittee might possibly contact the Department of Military Affairs to have their representatives appear before the full Committee.

Senator Chance expressed a desire that the Committee be able to see the utility bills.

Chairman Ray called on witness, Richard Winchell, Deputy Director, Division of General Services and Supply, to state his business before the Finance Committee.

DEPT. OF
ADM. DIV. OF
GEN. SERV. &
SUPPLY

Mr. Winchell briefed the Committee on Director Saylor's request for an appropriation of \$20,000 that the Division of General Services and Supply needs to host the conference of the National Association of State Purchasing Agents.

NAT'L. ASSOC.
OF STATE
PURCHASING
AGENTS CONFER-
ENCE

Alaska was supposed to host the conference last year. However the State was unable to do this, so the State of Tennessee stepped in and hosted the affair. As a result, it was opted to have the conference in Alaska this year and Mr. Wellman offered to host the convention. Governor Egan approved of it and now the Division is left in a bind as they have no money. The convention is to be held in the last week of August and they anticipate approximately \$20,000 in expenditures.

He said that the money was needed at this time in order to reserve hotel accommodations at the Holiday Inn and Travel Lodge. These reservations had to be made by the end of this month.

There was a meeting of the Association in December, and it was confirmed to the membership that Alaska would host the convention.

It was asked if this was authorized by the legislature.

Mr. Winchell answered no, the Department had requested the funds in the fiscal 1975 budget, but it was overlooked.

Senator Ray stated that the supplemental appropriation was not going to be used in this fiscal year. A commitment would have to be gotten that the legislature would approve the item in the 1976 budget. This is the crux of the matter.

Mr. Winchell mentioned that the State could expect the return of some of the funds by way of a fee charged to attendants. They anticipate 200 to 250 people will attend the meeting and many of them will be traveling with their families and considering this as a vacation. The site selection is Anchorage.

Senator Rader expressed his concern that Anchorage was chosen. He said the City of Anchorage is taxed and will be overtaxed because of the pipeline facilities. It would have been better to hold the convention in December when no one is there.

It was asked what the main purpose and value of the convention was.

Generally, the purpose is concentration and coordination of efforts of the various represented states, such as in sponsoring legislation. It was pointed out that Alaska is more remote than other states, and we could use the convention to pick up information and find out what is going on elsewhere.

In answer to another question, Mr. Winchell stated that last year two people from the State attended the convention and it lasted two days.

Mr. Winchell left the Committee meeting at this point.

Senator Ray announced that SENATE BILL NO. 32 (An Act relating to refunds for disaster loss under the motor fuel oil tax) was not being referred to a subcommittee. He would take that bill himself.

SB-32

The meeting adjourned at 11:35 a.m.

SENATE FINANCE COMMITTEE
January 30, 1975
11:00 a.m.

All members of the Committee were present.

PRESENT

Chairman Ray called the meeting to order and made the following Bill Assignment:

BILL
ASSIGNMENT

SB 87 An Act making a supplemental appropriation to the Office
of the Governor, Alaska Commercial Fisheries Entry Commission
-- BUTROVICH.

SB 87

There was general discussion regarding SB 87, after which Senator Butrovich moved and asked unanimous consent that SB 87 be brought up for action. There being no objection, it was so ordered.

All members of the Committee appeared to be aware of the background of this Bill.

Senator Poland moved and asked unanimous consent that they put out SB 87 with a DO PASS Recommendation. There was no objection, it was so ordered.

Motion

Meeting adjourned at 11:10 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
Friday, January 31, 1975
11:30 a.m.

All members of the Committee were present.

PRESENT

Chairman Ray called the meeting to order and brought SENATE BILL NO. 77 (An Act making a supplemental appropriation to the Department of Military Affairs) up for consideration.

SB-77

Senator Ray stated that the agency provided no breakdown in their letter to Budget Management so he asked staff member John Andrews to obtain the particulars for the Finance Committee.

John Andrews briefed the Committee that as nearly as he could tell from his interview with Lois Richardson in Military Affairs, \$40,000 of the \$61,000 appropriation is to cover the increase costs this year because of unexpected needs demanded of them. An example of these needs would be the performance of maintenance on aircraft made available because of public need.

The remaining \$21,000 is to meet needs that hadn't been planned for. These needs are of a different nature. Four aircraft engines should be replaced and maintenance is needed of aircraft used for purposes other than emergency operations.

Senator Rader asked if there was any Federal match in the funds.

The answer was this is 100% state funding. There is no match for search and rescue.

Chairman Ray stated that there are several duplications in their 1976 budget. He asked the Committee if they wanted to ask the agency for a dollar-for-dollar account of what expenses are actually going to take place. The Committee could possibly tell them to forget it if the information isn't received. The Chairman further stated that he had asked the agency to have their representatives appear before the Committee at this meeting, but it appears they didn't arrive.

Senator Hohman suggested that since this appropriation was on the same order as the other Department of Military supplemental request, it might be appropriate to get them both out for discussion.

Chairman Ray asked that all of the Committee members who had Military Affairs bills assigned to them to get all of the backup material.

Senator Rader inquired whether the National Guard does rescue work.

Chairman Ray answered yes.

Senator Chance enlarged on the explanation saying any large search and rescue going on operates out of Elmendorf Air Force Base. The Civil Air Patrol functions under this umbrella. Minor search operations are out of CAP.

Senator Rader then asked if we had no CAP, would the rescue operation be handled by the National Guard or military.

Senator Ray answered that the military has no obligation. Anything they do is a courtesy to the State. He further stated that he would ask for representatives of Military Affairs to appear before the Committee next week and requested that Committee members who had bills assigned to them in this category to put their inquiries to the representatives at that time.

Chairman Ray brought SENATE BILL NO. 64 (An Act making a special appropriation to the Department of Education for the Alaska Skill Center) up for consideration. He quoted the cover letter from the Governor concerning the violation of safety codes. A breakdown of the appropriation request and argument was quoted from a memorandum to Murray Snyder, Capital Planner, Division of Budget and Management, Department of Administration from William D. Thomson, Director, Management and Finance, Department of Education, dated December 6, 1974.

SB-64

Senator Hohman pointed out that it would be cheaper to build accommodations than to provide modular housing.

Senator Ray stated that they think they could obtain temporary housing faster.

Senator Chance asked whether or not there are documents to show what safety code the Hotel failed. It could be that repairs and general upgrading are all that is needed. Some of the students are probably trained to do such repairs.

Senator Ray answered that he didn't think the students at the center were skilled enough or had the ability to take on these repairs. He further stated that it was his belief that the nature of the courses covered secretarial skills, training for cooks and kitchen work, etc. The center was sponsored by the Department of Labor.

Senator Rader inquired if these difficulties developed overnight; why we didn't know of them before. He stated that this should have been covered by bonding. They walk in here in an off-year when we couldn't bond for it.

Senator Butrovich observed that if the building is unsafe, they shouldn't be operating. He also pointed out that if we are paying rent, they should be keeping up the repairs on the building.

Senator Poland asked whether there wasn't a pretty good chunk for the Alaska Skill Center passed in the last bonding, if so, what was this for.

Senator Butrovich asked why a lounge was needed. It looked as though they just slipped that in there.

As a whole, the Committee felt the bill was backed with insufficient documentation.

The meeting was adjourned at 12:00 n.

ADJOURN

SENATE FINANCE COMMITTEE
February 3, 1975
11:05 a.m.

All members of the Committee were present except Senators Chance and Poland. PRESENT

Chairman Ray called the meeting to order and made the following Resolution Assignments: BILL

SCR 6 Relating to assistance of the Legislature at the ninth annual Boys' State. -- RAY. SCR 6

SCR 7 Relating to the assistance of the Legislature at the seventh annual Girls' State. -- RAY. SCR 7

Senator Sackett moved and asked unanimous consent that SENATE SB 66 BILL NO. 66 (An Act making a supplemental appropriation to the Department of Public Safety) be brought up for discussion. There was no objection, it was so ordered.

Senator Sackett explained the supplemental request which was \$179,500. He provided the Committee members with back-up material which he had investigated and found to be correct. His presentation is summarized in his memo to the Committee (See Bill files).

Senator Sackett recommended a Do Pass on SB 66 in view of the following facts:

- 1) there is a definite and legitimate increase in mileage;
- 2) there are no vacancies existing in the trooper section;
- 3) although they have revised the figure by 71.345 miles (\$13,841), they also have 20 more people who will graduate from the trooper academy on February 14, 1975, and this cushion will be absorbed by these additional personnel;
- 4) the trooper division will have to curtail their activities by 26% should the supplemental not be approved;
- 5) there appears to be no where else in their budget that they can obtain funds since they are now past their maximum limits, and;
- 6) they have not requested a supplemental in ten years.

Senator Rader expressed concern over the fact that they were providing services beyond what was appropriated for.

Senator Butrovich stated that they had to take into consideration the increase of vehicles in the State. He said there must be around 50% more on the road now than a year ago.

Senator Sackett pointed out that the Department of Public Safety received only one vehicle in the pipeline impact portion of their budget.

Senator Sackett inquired as to the position the Finance Committee was going to take on supplementals, and Senator Ray replied that they had to take each individual proposal and bill on its own merits.

Senator Sackett moved and asked unanimous consent that they report SB 66 out with a DO PASS Recommendation. There was no objection, it was so ordered.

Motion

Senator Ray reminded the Committee that the member doing research on a particular bill would be the one to carry it on the floor.

Committee
Procedure

Meeting adjourned at 11:25 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
Tuesday, February 4, 1975
11:10 a.m.

Members of the Committee present were: Senator Hohman, Senator Rader, Senator Ray, and Senator Sackett. Also present were Senator Willis, Borough Mayor Lee Jordan of Eagle River-Chugiak Borough, David LaBlond from the Alaska State Attorney General's office, and Richard Winchell, Deputy Director, Division of General Services and Supply, Department of Administration. Several unnamed persons were present representing the Greater Anchorage Borough and the Eagle River-Chugiak Borough.

PRESENT

Chairman Ray brought the meeting to order and introduced Senator Willis to make a presentation on the following three bills which were before the Finance Committee for discussion. SENATE BILL NO. 102 (An Act making a special appropriation to the Department of Community and Regional Affairs); SENATE BILL NO. 111 (An Act making a supplemental appropriation to the Department of Community and Regional Affairs for the Eagle River-Chugiak Borough); SENATE BILL NO. 112 (An Act making a supplemental appropriation to the Department of Community and Regional Affairs for the Eagle River-Chugiak Borough).

SB-102
SB-111
SB-112

Subsequent to the presentations, and after considerable discussion, Chairman Ray assigned the three bills and any new ones introduced relating to appropriations for the Eagle-River Chugiak Borough to Senator Sackett in order to expedite all arguments to one area of responsibility. Senator Sackett will act as chairman of a subcommittee that is to go in depth into the matters presented. The Committee needs concrete budget figures and other facts in order to bring the bills up for consideration and make recommendations.

SUBCOMMITTEE
ASSIGNMENTS

Senator Willis opened his presentation giving a history as to the reasons for the difficulties the Eagle River-Chugiak Borough find themselves.

SB-102
SB-111
SB-112

Last year a bill passed by the Legislature which allowed the citizens of the Eagle River-Chugiak area to vote and make a determination as to whether or not they wanted to split off from the Greater Anchorage Borough and create a separate borough. The election results were in favor of forming a separate borough. Since the election took place, dissident citizens filed a law suit challenging the constitutionality of the act. There are two counts to the suit; in the first count, the constitutionality of the act itself is being questioned, charging that it was a special act. The Superior Court ruled that it was a special act but no unconstitutional. The second

count states that the Eagle River-Chugiak Borough doesn't meet the standards and specifications for the constitution of a borough. Presently, the suit is before the State Supreme Court and a decision as to the constitutionality will be determined and rendered shortly. In the meantime, the community has elected a mayor and borough assembly for the transition period. The borough now faces the problems as to the division of assets and liabilities with the Greater Anchorage Borough and of defending the constitutionality of the act.

Senator Willis stated that Mayor Jordan was with him to approach the legislature and its committees for much needed help. It is the personal feeling of Mayor Jordan that the act itself didn't go far enough in providing funds for the transitional costs and for considering the possibility of a court challenge to the act itself. It is his feeling that this is essentially a State responsibility.

Senator Willis also referred to another bill not yet before the committee which would allow the Eagle River-Chugiak Borough to borrow money from the State to cover the transitional costs.

Mayor Jordan was introduced to the Committee to make a presentation in support of the three bills. He referred to a preliminary budget outline for period ending June 30, 1975 for the Chugiak-Eagle River Borough. (A copy of which is attached for the record.) Many of the estimates given in this budget outline were inaccurate and in any event did not total to the \$230,000 given at the bottom. Also there are additional items not given in the budget outline such as the need for a financial advisor; they estimate they could get such a consultant for \$15,000. He further stated that the Borough could not supply essential services to the community, such as schools, because of the suit challenging the constitutionality of the act establishing the borough - they are prohibited from levying taxes to support the services. The same suit has prevented them from obtaining a commercial loan. At present the Greater Anchorage Borough is providing the necessary services, however, they are not under any obligation to budget for them; and they are not in a position to levy taxes to cover the cost either. By July 1 the Eagle River-Chugiak Borough must assume a dozen different functions along with some eight or nine services that are presently exercised.

The organization grant provided under AS 29.18.180 (a) is unrealistic, it would be impossible to organize for less than \$125,000.

In addition to organization needs, they have the responsibility for determining amount and distribution of assets

and liabilities. There is no provision to finance a study to determine what they are. The Anchorage Borough does not have time to perform this. Community and Regional Affairs do not have resources for the information.

He closed stressing the importance of an independent audit on assets and liability. He stated that they would then have an impartial report as to the problems the borough might face. He also said it is urgent that the borough have some means of engaging people to meet the deadlines mentioned earlier.

Chairman Ray addressed the Mayor asking that in perspective, the people with Eagle River-Chugiak Borough are petitioning the legislature to assist them in drafting legislation in order to provide an orderly separation from the Greater Anchorage Borough?

The answer was yes.

The Chairman then queried, I understand you now make some inference that the legislature had erred in providing you with a proper document and that that document is under legal action for constitutionality. You say that the legislature is at fault in conjunction with the administration that this has taken place?

The answer was yes; however, he would hesitate to say that the legislature erred; he would say the legislature did not give it full consideration.

The Chair introduced David LaBlond from the Attorney General's office. He asked Mr. LaBlond, that in order to answer the question as to the State's responsibility concerning the legislation placed, what actual responsibility does the legislature have to Eagle River-Chugiak Borough if unconstitutionality is found?

Mr. LaBlond answered the State doesn't have any, however he is not fully prepared to answer the question.

The Chair further asked, what responsibility does the State have through the Department of Law to provide the Eagle River-Chugiak Borough with legal defense, either under consultant or direct staffing.

Mr. LaBlond answered none, the Borough has their own representation at this time.

The Chair summed up his questions by asking, in your opinion there is no responsibility by the Department of Law?

Mr. LaBlond answered not at this point.

At this point persons present at the meeting in relation to the three bills on the Eagle River-Chugiak Borough left the meeting.

The Chair requested Richard Winchell to state his business before the Committee.

NAT'L. ASSOC
OF STATE
PURCHASING
AGENTS

Mr. Winchell stated he was coming before the Committee to inquire as to the status of Director Saylor's request for an appropriation of \$20,000 that the Division of General Services and Supply needs to host the conference of the National Association of State Purchasing Agents.

Chairman Ray asked the Committee members in favor of recommending the \$20,000 appropriation to raise their hands.

No hands were raised.

The meeting was adjourned at 11:40 a.m.

ADJOURNMENT

PRELIMINARY BUDGET OUTLINE - Period Ending June 30, 1975
(Being submitted to the Chugiak - Eagle River Borough Assembly Feb. 3, 1975)

ASSEMBLY EXPENSES	
CLERK-TREASURER	7,500.00
OFFICE OF MAYOR	
LEGAL (Estimate by Attorney)	40,000.00
FINANCE (Estimate by Consultant)	50,000.00
ASSESSING (Minimum without assuming power)	2,000.00
EDUCATION (School Board Estimate)	50,000.00
PLANNING	24,000.00
OFFICE SPACE AND UTILITIES	8,300.00
BONDING AND INSURANCE	5,000.00
OFFICE FURNITURE AND EQUIPMENT	2,000.00
CONTINGENCY ITEM (Sewer Engineering)	10,000.00
TOTAL	

(Estimated Total, pending Assembly action, is \$230,000.00)

SENATE FINANCE COMMITTEE

February 5, 1975

11:45 a.m.

All members of the Committee except Senators Butrovich and Poland PRESENT were present. Senator Kertulla was in attendance.

Also present were: Kent Dawson, Director of Budget and Management; Bill Thompson, Department of Education; and Mr. Jerry Hiley, Department of Education.

Chairman Ray called the meeting to order and brought SENATE BILL NO. 64 (An Act making a special appropriation to the Department of Education for the Alaska Skill Center) up for discussion. SB 64

Senator Ray said that he now had considerable correspondence on the matter, and that Mr. Frank Irick and Mr. Lew Dischner were the agents for the VanGilder Hotel, which is now being used by the Skill Center as a dormitory for female student trainees. He called the Committee's attention to copies of the fire inspection data over the past three years signifying deficiencies. Photos were also supplied to show the various items in the report.

Senator Ray then asked the agency people to make their presentation.

Mr. Bill Thompson stated that the information Senator Ray had referred to had been part of the file which he had submitted to the Budget and Management with the original request for a supplemental appropriation. Mr. Thompson then explained that the Skill Center has leased the VanGilder Hotel since 1969 and that it housed 50 women trainees. The Hotel had been leased because there were no other suitable accommodations available. He said that as noted in the Fire Marshal's report and in the Health and Sanitation Report, the building is a fire trap. However, they have continued to rent it because they have no other space.

Mr. Thompson went on to say that this year the Skill Center supplied funds of \$300 a month to the landlord to provide maintenance and correct some of the deficiencies, but apparently they have not complied. Other than minimum corrections by the owners, nothing has been done.

First of all, Mr. Thompson stated, they had looked at the possibility of providing a complete dormitory facility, but it would cost them over \$1 million and this is not a bond proposition year. However, they feel that since the owners haven't done anything, they ought to get out of the Hotel before a life is lost. For that reason, they have requested modular units which house 20 women each, plus an interconnecting lounge area.

Mr. Thompson added that in their 1977 budget request they would ask for a permanent dormitory. This would still be needed because they now have five modular units which are being used for housing, and these would be outdated by 1979, the time which they feel the permanent dorm would be constructed.

Senator Ray asked for questions from the Committee members.

Senator Chance wondered why, since they had known about the deficiencies since 1970, they hadn't brought this matter up before this so that it could have gotten into one of the bond issues.

Mr. Jerry Hiley explained that they had assumed that because the Fire Marshall's report had been filed with the owners, renovation would be undertaken. They kept thinking that with their endorsement, these deficiencies would be corrected.

Senator Chance asked whether they had discussed this with the owners. Mr. Hiley replied that the Division of Administration has handled the leasing and had the direct contact.

Senator Chance asked whether the owner had told them nothing was going to be done, and Mr. Hiley replied that he hadn't said outright that he wouldn't do anything, but that not a whole lot had been done.

Senator Chance queried as to when the lease expired and was told it was a yearly lease which would be up on July 1.

Senator Ray noted that at a prior meeting one of the Senators has questioned the necessity for a recreational portion. He asked why this lounge area was considered necessary.

Mr. Thompson stated that the lounge unit would provide a place to watch T.V. or play cards and a general place to be in the evenings other than in the bedrooms.

Senator Hohman asked the terms of the lease for the hotel, and Mr. Thompson said it was \$30,000 annually. Senator Ray noted that they could amortize over a 5 to 6 year period. In that time the modulars would be worn out.

Senator Hohman asked about the space that would be provided. Mr. Hiley said they could find the exact information for him, but that each room was about 10' by 10' or 10' by 12'.

Senator Hohman asked the alternatives to purchasing this modular, and Mr. Hiley said they could build a permanent construction, find some way to modify the VanGuild Hotel, try to lease one of the other hotels in the area (they haven't met with much positive response in that regard), or do away with the Women's portion of the training program.

Senator Hohman then asked when the space was needed and was told it was needed immediately. Mr. Hiley thought they could expect delivery within 60 days after the money was appropriated.

Senator Hohman asked whether they taught building skills at the Skill Center. Mr. Hiley said they did, but under a Building Maintenance Program and not as a union program because the unions want to control those areas. He explained that they do their own renovation at the Skill Center, but that is on State Property.

Senator Hohman thought it might be a good idea to undertake permanent construction of a dormitory as a student training project. Mr. Hiley said they had considered it, however they didn't know how the unions would take it. They think the problems would be considerable. He explained that they had erected a warehouse for their food storage program, and it took a considerable amount of time because they were training.

Senator Hohman thought that a time schedule would be a meaningful part of a training project.

Meeting adjourned at 12:05 p.m.

ADJOURN

SENATE FINANCE COMMITTEE
Thursday, February 6, 1975
11:25 a.m.

All Committee members were present with the exception of Senator Rader. Commander Russ Anderson was also present.

PRESENT

Chairman Ray called the meeting to order and brought SENATE BILL NO. 77 (an Act making a supplemental appropriation to the Department of Military Affairs) up for discussion.

SB-77

Department Commander Russ Anderson of the Civil Air Patrol was introduced to the Committee and asked to give a presentation.

Commander Anderson passed out documentation supporting the supplemental appropriation to the Committee members. (A copy is attached to the Minutes for reference.) He mentioned that his Department has never asked for a supplemental appropriation in prior years.

Mr. Anderson stated that most of their aircraft comes from surplus properties, and that they obtained one aircraft for less than \$6,600.

He stated that they have 30 aircraft in 14 different locations throughout the state. There is D. F. equipment in 20 of them. They have obtained eight SSB radios with a special appropriation from the State. He also informed the Committee that there was 27 base stations for the SSB aircraft.

Commander Anderson informed the Committee that they had some funds left from the original appropriation; however, they would need these funds to cover bills they have already received.

He further remarked that inflation accounted for some of the additional costs. He stated that he has asked for a 25% increase in the Department's 1976 budget to take care of some of the increases.

He mentioned that they are doing everything they possibly can to cut down on their costs. For example they have their own mechanics in Anchorage. They also have their own supply depot in Texas so they can obtain most of their supplies easily.

At this point, Commander Anderson asked if there were any questions.

Senator Chance asked if the items outlined weren't usually in their annual budget request.

Commander Anderson answered that some were. The budget is projected for a number of years in advance. Because of this, it is not increased. He said also that they have a lot of unscheduled maintenance.

In response, Senator Chance asked why they didn't build in extra padding in the budget requests to take care of emergencies.

Commander Anderson replied the department really didn't know how, unless they used a contingency fund of some sort.

Senator Butrovich inquired whether the work on airplane engines were done by private aircraft repair shops.

The answer was no, they pick up engines at the Amerillo depot. If they cannot pick up the merchandise from the depot, then the work goes out to private shops.

Senator Butrovich wondered whether the \$1,200 for the installation of floats on four aircrafts wasn't a lot of dollars.

Commander Anderson answered that the aircraft were Beavers, these are a little larger.

Senator Ray inquired if the \$9,000 mentioned to take the Beaver to Kenmore was in this fiscal year's request.

Commander Anderson replied yes.

Senator Hohman asked for an interpretation of recovery of PA18.

The reply was the plane had to be overhauled to meet Federal standards.

It was asked what type of medical equipment was being used to outfit the one aircraft.

Commander Anderson answered that it was the same type of equipment used for rescue work in Anchorage, a snap-in type on a rack.

Senator Ray pointed out that there were duplications in the supplemental request and in the 1976 fiscal budget request from his agency. He asked if they anticipated reducing the budget request.

Commander Anderson answered that if he remembered correctly the duplication was on the 310's.... They had to replace wings on two Beavers. A number of engines that they had in stock had to be replaced, etc.

Senator Ray, after pointing out several of the duplications, said that for the benefit of Commander Anderson's agency, he should contact the Office of Budget and Management because there hasn't been any cohesion in the budget presentation.... If they need the money in the 1976 fiscal year, they are going to need an adjustment to their original budget request. Budget and Management are the only people to make these changes. This Committee cannot do it.

Senator Ray also suggested that the agency be more definitive in itemizing their actual cost needs. At present the actual costs are lumped together and it looks as though the agency is padding.

The meeting was adjourned at 11:55 a.m.

ADJOURNMENT

ALASKA WING, CIVIL AIR PATROL

The Alaska CAP has been preparing for increased Air Traffic for two to three years. We feel sure there will be many more requests for assistance from the Civil Air Patrol during the next two years with the building of the pipeline, and we hope to be ready.

CAP has national and state agreements with the Red Cross, Civil Defense, and the Salvation Army. Also we are available with all our Aircraft, equipment radios, and Manpower to the State of Alaska in case of floods, earthquakes, or any other situation the Governor considers a disaster.

The CAP is an Auxillary of the U.S. Air Force. Fuel and oil is provided or paid by the Air Force on all search or rescue missions assigned by the Elmendorf Rescue Out Coordination Center. The CAP can be used for other missions but only if approved by the Wing Commnader.

Alaska CAP does not rent Aircraft to members but does require each pilot that is checked out in corporate aircraft to make at least two landings and takeoffs each month in each aircraft he or she is qualified in at the pilots own expense.

1135	Volunteer Members
261	Cadets
534	Pilots
258	Aircraft Owners

ALASKA

30	C. A. P. Aircraft
14	Locations
20	D.F Equipped for E.L.T.
8	S S B Aircraft
27	Base Station S S B
3	Mobil S S B

The Alaska Civil Air Patrol has just completed a study of its financial needs from January 1, to July 1, 1975.

We can only estimate our known requirements at the present cost of materials and labor to keep each aircraft in license and flyable.

During the last year we have experienced a large amount of unscheduled or unknown maintenance that we had not planned, for one example: we had Wing conversions and engine mounts to change on each of our four twin engine Cessna 310 Aircraft to comply with new FAA Bullitions.

\$40,150.00

Includes cost of four engines and
annuals on 15 aircraft. One recovery
of a PA18, also installation of skies,
pump tanks, and plumbing on two Otters
Radio Maint. Base, Mobil, and Aircraft
Installation of one SSR Radio

3,200.00

1,200.00	Installation of floats four aircraft
5,400.00	Vehicle maintenance forklifts, tugs, pickups, ect.
960.00	Rental: Copy Machine for Headquarters until July 1
7,000.00	Aircraft parts and freight
3,500.00	Medical equipment to outfit one Otter Aircraft
300.00	Conversion of ELT Batteries

SENATE FINANCE COMMITTEE

February 7, 1975

11:15 a.m.

Senators Ray, Poland, Butrovich, and Rader were present.

PRESENT

Members of the Haines Basketball Team were present as observers.

Chairman Ray called the meeting to order and asked for a status report on Subcommittee Assignments.

Senator Poland said she was ready with SB 8 (Special appropriation to Dept. of Highways for design of bridge from Ketchikan airport to Revillagigedo Island), and that it could be scheduled at any time.

Senator Butrovich stated that he had a fiscal note on SB 20 (permanent part-time employment in state service) and was ready to present it at any time.

Senator Rader said he was still trying to get information from the Department of Public Safety on SB 63 (Spec. approp. to Dept. of Public Safety, Building Security), and that he expected to have that within the next week.

Senator Ray stated that SB 64 (Spec. approp. to Dept. of Education for Alaska Skill Center) would be coming up for discussion on Monday or Tuesday of the following week.

Chairman Ray made the following Bill Assignments:

BILL
ASSIGNMENTS

SB 27 Relating to the transportation allowance of legislators--BUTROVICH.

SB 27

SB 40 Increasing state aid to municipalities for fire protection--RADER.

SB 40

SB 81 Special appropriation to Office of the Governor, Alaska State Council on the Arts--POLAND.

SB 81

SB 82 Authorizing the construction of a life-sized statue of the late Senator Ernest Gruening--RAY.

SB 82

Meeting adjourned at 11:25 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

February 10, 1975

11:00 A.M.

All members of the Committee except Senator Chance (who arrived late) were present. PRESENT

Chairman Ray called the meeting to order and notified members that they should expedite all back-up materials relative to bills assigned to them. Starting next week, he announced, the Finance Committee would have meetings every morning at 9:00 a.m. and there would also be the possibility of afternoon meetings. MEETING TIME

[Senator Chance arrived at this time.]

Senator Ray felt that the Blue Books would be ready for distribution by next week. These are an analysis of the original Department requests before they go to Budget and Management and the Governor's Budget Review Committee. He announced that as of March 1, they would start to close-out budgets, and he asked that all members be prepared for this to the extent that they could be. BLUE BOOKS BUDGET CLOSE-OUTS

Chairman Ray said that Committee Procedure would be to bring every bill in Committee up at least once. If there was not enough back-up or information, then a bill would be put into the "cooler" and it would take at least four votes to bring it back up. COMMITTEE PROCEDURE

Chairman Ray asked if any of the members had anything they wanted to bring up.

Senator Sacket mentioned SENATE BILL NO. 2 (Relating to the definition of peace officer and fireman for the purposes of the Public Employees Retirement System). He said there had been an identical bill introduced last session which cost \$488,000 for 214 positions. This year they re-evaluated the cost based on 175 positions and the cost would be \$350,000. Sen. Sackett had no recommendations on the bill at this time and preferred to work on it a little bit further. SB 2

Sen. Sackett also mentioned that he was waiting for further information on the Eagle River-Chugiak Bills (SB 111, SB 112) which had been assigned to him. The Attorney General was going to be sending down a decision and the Borough was also supposed to be sending him some information. He noted that Pat Rodey was working on some legislation which would change it from a grant to a loan basis. SB 111 SB 112

Chairman Ray then assigned SENATE BILL NO. 48 (Relating to teachers post retirement pension adjustment) to Senator Butrovich.

BILL
ASSIGNMENT
SB 48

Chairman Ray announced that there would be a House Finance Committee meeting at 9:00 A.M. the following morning with the Consultant with the State's Higher Education, which some of the members might be interested in attending.

Senator Ray recommended that when they received their copies of the Blue Books that they keep the information private because the figures were not final.

Meeting adjourned at 11:12 A.M.

ADJOURN

SENATE FINANCE COMMITTEE
Tuesday, February 11, 1975
11:00 a.m.

All members of the Committee were present.

PRESENT

Also present were Kent Dawson, Director of Budget and Management; Ken Roberts, Photographer, Associated Press; Elaine Mitchell, Alaska Public Radio.

The Chair called the meeting to order and informed the members that the blue books were ready with the exception of Education, Transportation, and Health. Hopefully, they will be ready by Friday. He also mentioned that nothing definite can be settled as these were just preliminary recommendations. The actual requests of the Administration are not known.

BLUE BOOKS

The Chair asked the members if any bills were ready to be brought up before the Committee. Hearing no response, he warned that Tuesday they should be ready to go.

The following bill assignments were made:

BILL
ASSIGNMENTS
SB-76
HB-77

SB-76 Making a supplemental appropriation to the University of Alaska. SENATOR SACKETT

HB-77 Making a special appropriation to the University of Alaska. SENATOR HOHMAN

Senator Hohman requested that he be assigned SB-76; however, the assignment remained with Senator Sackett.

Senator Butrovich requested that HOUSE BILL NO. 77 (An Act making a special appropriation to the University of Alaska; and providing for an effective date) be brought up before the Committee. He stated there was some urgency as the interest rate continues to go up.

HB-77

There is litigation between Modern Construction Company and the University of Alaska over a construction job. It went to the lower court and was appealed. The University of Alaska lost in the higher court; the judgment was in favor of Modern Construction at 8%.

The reason for bringing this up is that Modern Construction needs working capital. They are working on an office building in Fairbanks paying 11%. The State could give it 8%. We have exhausted all legal revenue and the company needs capital.

Chairman Ray asked Kent Dawson, Director of Budget and Management, if he had any further information; he had none. The Senator then mentioned that in a conversation with the Governor's office, much

of the same thing was discussed. It was their feeling that the construction company should not be penalized. The new center is projected at \$452,400 at 8% interest.

It was felt the University was at fault. They made unapproved work changes in the middle of construction which cost \$.5 million in the end.

This was a bid job. The project was Wood Center.

Senator Ray then quoted a letter to former Governor Egan dated November 6, 1974 from University of Alaska's President, Robert W. Hiatt, concerning an "impact" claim filed by Modern Construction against the University.

Chairman Ray entertained a motion; Senator Chance moved and asked unanimous consent that they put out HB-77 with DO PASS Recommendation.

MOTION

Senator Hohman made an objection for purposes of further discussion.

Senator Ray informed the Committee he was willing to bring the bill up on the Senate floor.

Senator Sackett asked who was shown fault in the suit.

In response to this, Senator Ray asked staff member Jay Hogan to supply the members with copies of the court brief.

Senator Rader said it appeared that we owed the money to Modern Construction, that it was an architectural design mistake. He then inquired as to the action the University was taking against the architectural firm.

In reply, Senator Butrovich informed the Committee the University was suing the architectural firm.

After asking if all discussion was finished, Senator Ray asked if there was unanimous consent for the motion. Hearing no objections the motion carried.

The Chair then made the following bill assignment:

BILL
ASSIGNMENTS
SB-88

SB-88 Making a special appropriation to the Department of Fish and Game to purchase real property within Potter Point State Game Refuge.
SENATOR RAY

The meeting was adjourned at 11:20 a.m.

ADJOURNMENT

SENATE FINANCE COMMITTEE
Wednesday, February 12, 1975
11:05 a.m.

All Committee members with the exception of Senator Rader were present.

PRESENT

Also present were Max Hullinger, Vice President and Comptroller, University of Alaska; Senator Terry Miller; Elaine Mitchell, Alaska Public Radio.

Chairman Ray called the meeting to order and brought SENATE BILL NO. 76 (An Act making a supplemental appropriation to the University of Alaska; and providing for an effective date) up for discussion. He explained that this was a supplemental on the University Community College's overdraft for wages.

SB-76

Copies of the Community College Faculty Contract (August 5, 1974 - June 30, 1976) and the subcommittee minutes of February 11, 1975 were passed out to the Committee members.

Senator Sackett introduced witness Max Hullinger to the Committee stating that the estimated \$900,000 asked for in the appropriation came out of the contract which the University of Alaska negotiated with the professors of all the community colleges in Alaska. He is not sure of the cost of the University supplemental as yet, but there has been one revision of \$845,700 since the initial request. He should be ready with a breakdown of total cost by February 21.

Max Hullinger stated they have a new method of computing so that the salaries differ from the original figures. About a week ago, he got together with the Governor's Office to go over the figures. The following were results of that meeting:

Cost of Living and Other Personal Services

In the bill submitted, \$500,000 was provided for salaries, the figure is now \$616,000. The living differential was \$185,000 and is now \$112,800.

At the time this came up, our estimated total cost was \$802,000. It then went to \$900,000 which we requested,

and has now dropped to \$845,000.

Escalator Clause

The escalator clause will be based on the one used in Anchorage effective March 1 and September 1. It is based on the price of living in Anchorage. It is reviewed each 8 months. They have no fixed figure, and do not know what the increase will be. The Administration will not know the actual increase until March 1, but it is expected to be between 9%-10%. A base to which it can be applied still has to be worked out. A general appropriation request for all State employees relative to an escalator clause is built into current existing contracts.

Lock Step Approach to Salaries

Anchorage uses the lock step approach currently. It is based on qualifications. The employee is put on a salary based on his qualifications and can move up on additional qualifications and move down on the number of years experience. The salary is an arbitrated amount. The State came up with a law of binding arbitration. This made this automatically apply on contracts. There is a retroactive 7.7% salary increase December 1, and January 1, approximately 19.2%. In dollars, the present monthly rate is \$1,300; \$1,400 September 1; and \$1,550 January 1, plus the escalator cost of living goes into effect March 1. On July 1, the rate goes to \$1,700, a 38% increase over the current existing salary, plus two cost of living increases. There will be three increases during the fiscal year.

He estimated a cost of \$112,000 for placement of people on the schedule. This was built into the figures given.

Senator Poland asked if the 19% salary increase will be based on salaries already including the 7% increase.

Mr. Hulling said no, it is based on the current salary level of the people, 19.2% also includes the 7%.

Senator Ray pointed out that in the negotiation of contracts the legislature has no power either to approve or disapprove them. It has been the expression in the past that the legislature or some of its committees give guidance. They should give the whole thing to the University to make the necessary reallocation

cuts, etc.; it should be by your priorities. These things are becoming too expensive for the State, we can no longer handle them. We would need \$7 - \$8 million more that we can see now for increases in wage demands, cost of living, etc. We would advise the University to start thinking of an alternate measure to cut 10% from the present status for the fiscal year's operation.

Senator Butrovich asked Senator Ray if he would suggest that the general employees of the State also receive the same cut. Senator Ray answered yes.

Senator Butrovich said there was a Collective Bargaining Act passed, wouldn't we be into this next?

Senator Ray had no answer to this.

Senator Butrovich then asked the witness what he thought the University's position would be without collective bargaining.

In reply, Mr. Hullinger said he didn't know. If there wasn't any act, unions would not have been permitted. If they had no unions, they wouldn't be in this fix; the contracts put us into this. We were criticized one time to turn this over to the legislature and let them make the decision. We fought and struck down making salary increases. Mr. Hullinger further stated that he was not in agreement with all of the salary increases.

In response, Senator Ray said the University has never been blameless for increases of salaries. For years they have been coming to the legislature to increase salaries and not just across the board either. In the past 10 years they have generally come in for a supplemental appropriation for some reason. In this particular instance they had an institute, another \$400,000 for an architectural mistake. Maybe this is the University's effort for this fiscal year.

Senator Hohman inquired as to what the starting salary for a teacher was.

Mr. Hullinger answered that someone with a B.A. degree and 18 credits with no experience would start initially at \$1,300 a month.

The question was asked if this was on a 12-month basis. The answer was that the salary is on a 9-month basis.

Senator Hohman then asked if the \$1,300 was the total figure.

In answer, Mr. Hullinger said there would be an additional adjustment for the cost of living. Right now, under the terms of the contract, the salary, January 1, would be \$1,550 times nine the cost of living on top of that.

The question was asked as to how the negotiators for the contracts were selected.

The reply was the union designates members of their team and the University selects a team of their own.

Senator Butrovich asked why none were selected from other State officials.

Senator Ray pointed out that it was probably a good idea to put your best team in the field, people who could talk intelligently about the scheduling, etc. These people would have to be familiar with the University's program in order to negotiate with any expertise.

Mr. Hullinger then went on to say that after the strike, they had filed for an injunction. After the second time through the courts, they obtained an injunction. In accordance with the State of Alaska, they requested a tri-party negotiation for the reason if the first contract failed, one person would not have knowledge for an adequate job. So the chief negotiator from each team was selected to form an arbitration panel but they needed a middle man. Each side made up a list of possible contacts. They came up with a series of names and the union also came up with a list. There happened to be two names that appeared on both lists. The Judge decided on this, and the Attorney General made contact with the third party. It took two votes to settle any outstanding items in the contract. There were 11 items at that time, 12 after the cost of arbitration. After the hearings in Anchorage, two judicial proceedings, they came back with an award. Each union member voted. On some things they got a trade-off.

Senator Hohman asked if, under the agency shop concept, all members of the community college campus were union

members?

In answer, Mr. Hullinger said all members bargaining must become members of the union or pay a service charge.

The question was asked if this was a percentage of their salary. He answered that he did not have that information yet. However, the dues were going to increase. They were \$120 a year or \$15 for eight months, the increase would be \$35 a month. However, this is a union matter.

Senator Hohman inquired as to whether or not the Director of the community college had any responsibility for requiring membership.

The response was that in order to have union security, an employee must belong to the union or be discharged. Members of the board are required to enforce this.

Senator Butrovich asked which national union was affiliated with the teachers union. The response was AFL-CIO.

Senator Sackett left the meeting at this point.

Chairman Ray brought up SENATE BILL NO. 82 (An Act authorizing the construction of a life-sized statue of the late Senator Ernest Gruening; and providing for an effective date) for consideration with the following suggested amendment:

SB-82

Delete Sub-section (2) and insert the following:
(2) select a sculptor to make the statue
and negotiate a contract with him subject to
legislative approval by concurrent resolution.

Line 18:

Sec. 2. Delete first sentence, beginning with the word "Final" and ending with "Gruening."

Line 21:

After the word "Mrs." insert the word "Dorothy."

Senator Ray informed the Committee he would contact Mr. Helms, Alaska State Council on the Arts. A fiscal note will be attached when the bill arrives on the floor. If the initial cost exceeded \$3,000, it would be surprising.

The Committee was agreeable to the amendment and a motion MOTION

was made to put the bill out with the amendment with
a DO PASS recommendation.

The motion carried.

The meeting adjourned at 11:45 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
February 13, 1975
9:05 a.m.

Senators Ray, Poland, Butrovich, and Rader were present. Senator Terry Miller was also in attendance. PRESENT

Chairman Ray called the meeting to order and brought SENATE BILL NO. 1 SB 1
(Creating the Office of Ombudsman; amending Rule 43(h) of Rules of Civil
Procedure) up for consideration. He pointed out that there was a Committee
Substitute by the State Affairs Committee which was a better bill.

There was general discussion to determine that all members understood the bill.

Senator Poland moved and asked unanimous consent that Committee Substitute for SB 1 be moved out of Committee with individual recommendations. There Motion
was no objection, it was so ordered.

Meeting adjourned at 9:10 a.m. ADJOURN

SENATE FINANCE COMMITTEE

February 13, 1975

11:15 a.m.

All members of the Committee were present.

PRESENT

Ms. Lois Richardson, Department of Military Affairs; Mr. Anderson, Civil Air Patrol; and Mr. Mike Clemons, Division of Budget and Management, were also in attendance.

Chairman Ray called the meeting to order and brought SENATE BILL NO. 77 (\$61,000 supplemental appropriation to the Department of Military Affairs) up for discussion.

SB 77

Mr. Clemons called their attention to the back-up material which he had distributed to them. (See Bill File.) The supplemental was needed to deal with costs that need to be paid for the rest of the Fiscal Year to keep Civil Air Patrol Planes flying. The back-up material contained an itemized listing. The \$61,000 will all go for parts and labor.

Mr. Clemons stated that they'd reexamined the FY 76 budget request in light of the supplemental to see if they could subtract the items they will be paying for in FY 75 which had been planned for FY 76. He referred to the handout which explained that.

Chairman Ray said that the Committee members were primarily concerned about what appeared to be an upgrading of the CAP Program, because they were not keeping the same level of service indicated when they requested the FY 75 budget.

Mr. Anderson explained that the new engine for the N3498 Yankey scheduled for FY 76 had started using too much oil, so they had to change engines this year. The plane had 1000 hours on it at the time of the change. Two other planes need to be worked on this year too, otherwise, they stand a good chance of losing them. National Headquarters can transfer a plane to another airport in another State if a plane is kept grounded for more than six months.

Senator Butrovich asked what happened to the engines that needed replacement. Mr. Anderson explained that they had to go back for reconditioning, and added that the engines they were getting were reconditioned.

Senator Hohman felt that \$4,500 was too high for the N3498Y Engine. He knew of an organization that got the same engine for \$2800 plus freight last year, and he thought the cost was now up to \$3200.

Senator Sackett asked if they had already expended half of the supplemental, and Mr. Anderson replied they had spent \$25,435 on unscheduled work so far.

Senator Sackett asked why they weren't going to recommend a decrease in their FY 76 budget based upon work performed in FY 75. Mr. Anderson explained that other costs were going up. He had gone around to all of the shops (people they do business with--overhauls, parts, etc.) to find out the average increases, and he had found that there was an average of 25% increases in the last year.

Mr. Anderson went on to say that he didn't have a good handle on how to budget for unscheduled work. He thought if they watched it close for a few years, they might be able to get such a handle.

Mrs. Chance wondered whether it would be possible to project how much was needed in the future based on a comparison between unscheduled work and hours of flying.

Mr. Anderson said he fully intended to keep track of that kind of information.

Senator Butrovich asked how many hours they got out of engines as compared to private industry, and Mr. Anderson thought it was comparable.

Chairman Ray thanked the witnesses for their testimony, and they left at this time.

Chairman Ray then introduced Gordon and Nancy Johns from Future House, Inc., and asked them to make their presentation.

FUTURE
HOUSE,
Inc.

Mr. Johns explained that Future House is a short-term therapeutic community offering a treatment/training chemically free program as an alternative to incarceration for drug dependent persons. They deal with individuals age 16 through 30 who have been drug-dependent for no more than two years.

Mr. Johns said that he and his wife had started the Alaska Family House in Anchorage a few years back. Shortly after getting that project underway, they started working with groups at Langdon Clinic and also with adolescent drug programs. They started Future House because they saw a need for a short-term program for people who had not been involved with drugs for more than two years.

Mr. Johns stated that last year \$495,000 had been appropriated for Drug Abuse Treatment, and the Office of Drug Abuse had \$1 million worth of proposals. They had funded programs already in existence, and about \$40,000 was left. This had gone to Future House.

Mr. Johns said they didn't have a bill asking for funds at present, but felt that since they were in Juneau to talk with several people in jail, they felt they ought to stress the importance of getting funds for Drug Programs throughout the state.

Mrs. Johns gave a brief history of funding for drug abuse programs in the State. In 1973-74, \$500,000 had been given to the State Drug Abuse Office to operate Drug Programs, and 10 were funded. Last year 16 programs were funded for FY 75 out of \$495,000. The first year, the \$500,000 was for treatment programs, but last year, the \$495,000 was for treatment and education/prevention programs, so 1/4 of the money went for education/prevention.

Mrs. Johns said that Future House has exhausted other sources for funding. They did find some funding through LEAA, but this next year will be the last time they can get anything from them. There is a possibility they can get some money through the Division of Children and Family Services by getting people in their program on Disability Pay. About half of the money for that would come from the Federal government. If this happened, they would expect each person to get \$250 a month while in the program.

During the seven months Future House has been in existence, they have received \$5,000 from the local area. They have also managed to get themselves on Food Stamps.

Mrs. Johns said that over the past year, there have been five new programs for education/prevention, and they expect that to double over the next year. The State Plan for Drug Abuse has set its priorities as follows: 1) education; 2) prevention; 3) treatment; 4) training; and 5) rehabilitation. That is the order for funding. Future House is a treatment and rehabilitation program with some training. This next year they are going to have to cut services if they can't get more funding.

Mr. Johns said they wanted to stress that funds were needed for all drug programs in the State, and not only for Future House. He said that more drugs were going into the villages and the bush than ever before. That includes alcohol.

Senator Ray asked the Johns' about their professional background. Mr. Johns answered that five years ago they had been heavily involved with drugs and had gone into the Seattle Family House, a two year program. After graduating from there, they had spent 17-18 months setting up the Spokane Family House. From there, they went to Anchorage and set up the Alaska Family House.

Mr. Johns referred them to the little pamphlet which had been distributed to them. The pamphlet explains the program at Future House and tells about the three phases involved in the year long program.

Senator Rader asked the cost per person per day at Future House, and Mrs. Johns said it was about \$26 per day, and that they serve an average of seven people.

Senator Rader asked how their budget was broken down. Mrs. Johnson said they spent \$15,000 in salaries, \$15,000 for rental of a 4-plex, which they furnished nicely; \$30,000 for supplies; and \$20,000 for contractual fees and services.

Mr. Johns said they got about \$60,000 this year through LEAA; \$7,000 from the Borough; and \$40,000 from the State.

Senator Sackett asked their percentage of success. Mrs. Johns said that they have only been going for seven months, but the program which they had graduated from still had 100% success.

Meeting adjourned at 12:15 p.m.

ADJOURN

SENATE FINANCE COMMITTEE
Friday, February 14, 1975
10:55 a.m.

The following members of the Committee were present: Senators Butrovich, Hohman, Rader, Ray, Sackett (Senator Poland arrived at the end of the meeting). PRESENT

The Chairman brought the meeting to order and brought up for consideration SENATE BILL NO. 77 (An Act making a supplemental appropriation to the Department of Military Affairs, and providing for an effective date). SB-77

Senator Ray proposed an amendment to the bill reducing the \$61,000 supplemental appropriation by \$17,800, which was for scheduled work in FY 1976 that needs to be done now. This amount was deleted because it is also being requested for their FY 1976 budget. The total appropriation allowed would then be \$43,200.

Senator Ray then moved and asked unanimous consent that SB-77 appropriating \$61,000 be put out of Committee with a DO PASS recommendation. The motion failed. MOTION

Senator Ray moved that the Committee adopt the following amendment: MOTION

SB-77, page 1, line 10:

DELETE: \$61,000
INSERT: \$43,200

The motion carried.

Senator Ray moved and asked that SB-77 as amended be passed out of Committee with a DO PASS recommendation. The motion carried. MOTION

Senator Ray asked if there were any other bills to be brought up for consideration, and there were none.

Senator Sackett told the Committee that he should be ready with recommendations on the Eagle River Borough bills on Tuesday.

The following bill assignments were made:

- | | | |
|--------|--|--|
| SB-158 | An Act relating to organization grants and loans to defray the cost of transition to borough or city government -- SACKETT | BILL ASSIGNMENTS
SB-158
SB-159
SB-163 |
| SB-159 | An Act making a special appropriation to the Dept. of Revenue for the Eagle River-Chugiak Borough -- SACKETT | |
| SB-163 | An Act making a special appropriation to the Dept. of Health & Social Services, laboratories -- BUTROVICH | |

The meeting was adjourned at 11:05 a.m.

ADJOURNMENT

SENATE FINANCE COMMITTEE
February 18, 1975
9:35 a.m.

Senator Ray, Senator Poland, Senator Chance, and Senator Sackett PRESENT were present.

Kent Dawson, Director of Budget and Management was also in attendance.

Chairman Ray called the meeting to order and said he would begin going through the list of bills in committee to see if they were ready for action.

Senator Ray first brought SENATE BILL NO. 2 (Relating to the definition of peace officer and fireman for the purposes of the Public Employees Retirement System) up for discussion. SB 2

Senator Sackett said he had nothing new to report on the Bill. Senator Ray noted that the fiscal note was for \$350,000 which was down \$50,000 from last year because they had taken some people out of the program.

Senator Sackett moved to put the bill back in subcommittee for further research. There was no objection, it was so ordered.

Senator Ray then brought SENATE BILL NO. 8 (Making a special appropriation to the Department of Highways for design of a bridge from the Ketchikan airport on Gravina Island to Revillagigedo Island) up for discussion. Senator Poland suggested it be sent back to subcommittee for further study. There was no objection. SB 8

Senator Ray brought SENATE BILL NO. 20 (Relating to permanent part-time employment in state service) up for discussion. He noted that Senator Butrovich, to whom that bill had been assigned, was not present. SB 20

Senator Chance remembered that Sen. Butrovich had had an additional question on the bill. He had wanted to know why the University of Alaska wasn't included in with the estimated number of employees.

Sen. Chance told the Committee that information they have from studies done in private industry shows that when they started providing fringe benefits for part-time employees, they started showing 85% productivity as compared to 100% from full-time employees, they have 1/3 as much turn-over, and much less sick leave.

Senator Chance moved that the bill be put out with a Do Pass Recommendation. Senator Poland objected because she felt Sen. Butrovich ought to be able to have his question answered. The rest of the Committee seemed to feel the same way, and the motion failed.

Motion

Senator Ray then brought SENATE BILL NO. 27 (Relating to the transportation allowance of legislators) up for discussion. This bill had also been assigned to Senator Butrovich.

SB 27

Senator Poland said she had introduced the same bill last year because she had learned from Legislative Affairs that there was no such thing as excess baggage money. Legislative Affairs was requesting that it be changed from "excess baggage" to "air freight".

Senator Sackett suggested amending the bill to increase salaries up to a percentage comparable to the last time they had it increased, and also decrease the number of years for retirement. Senator Ray felt that would be out of order for this particular bill, but appointed Senator Sackett as subcommittee to the subcommittee to gather up information pertinent to his thoughts in that regard.

Senator Ray then brought SENATE BILL NO. 32 (Relating to refunds for disaster loss under the motor fuel oil tax) up for discussion. Senator Ray didn't know why this would be a matter for the State to do unless the tax was levied on it before the sale.

SB 32

Senator Chance thought it seemed to be applying to the wholesale dealer, where as soon as the oil was sold into the State, they payed the tax on it, and then collect on it when they resell it.

Senator Ray thought the bill should be amended on line 14 after the word "disaster" to say "unless purchaser otherwise indemnified for the tax".

Meeting recessed at 10:00 a.m.

RECESS

AFTER RECESS
10:00 a.m.

Chairman Ray called the meeting back to order, and said they would continue with discussion of SB 32.

SB 32

Senator Chance asked whether the distributor payed the tax when the product was brought into the State, and Senator Ray didn't think so. He thought the distributor collected the tax at the time of the sale.

Senator Chance noted that this would actually affect only retail customers.

Senator Chance moved to amend the bill on page 1, line 14 after the word "disaster" add "unless the purchaser is otherwise indemnified by the tax." There was no objection, it was so ordered.

Motion

Senator Sackett then moved to put SB 32 as amended out of Committee with a Do Pass Recommendation. There was no objection, it was so ordered.

Motion

Senator Ray brought SENATE BILL NO. 40 (Increasing State aid to municipalities for fire protection) up for discussion. Sen. Ray said that this bill was simply a policy question.

SB 40

Senator Sackett moved that this bill be held over until they had more information. There was no objection, it was so ordered.

Motion

Senator Ray brought SENATE BILL NO. 48 (Relating to teachers post retirement pension adjustment) up for discussion. There was no fiscal note on this bill, so it was decided to hold it until they had more information.

SB 48

Senator Ray brought SENATE BILL NO. 63 (Making a special appropriation to the Department of Public Safety, building security) up for discussion. Sen. Ray said that Sen. Rader had talked about having people in to testify on this bill. He noted that the back-up was long and involved. The Committee decided to wait until Sen. Rader was in attendance to consider the bill.

SB 63

Senator Ray then brought SENATE BILL NO. 64 (Special appropriation to the Department of Education for the Alaska Skill Center) up for discussion. He had contacted the owners of the VanGilder Hotel, and they were in the process of providing additional back-up material, and have requested an opportunity to appear in front of the Committee. He said he would contact them and see if they could make it for tomorrow's meeting.

SB 64

Senator Ray brought SENATE BILL NO. 67 (Making a supplemental appropriation to the Department of Highways) up for consideration. He asked if Mr. Weeks from Budget and Management had any comments on this bill.

Mr. Weeks said there were a lot of problems with the \$501,000 appropriated but not allocated. Budget and Audit had determined they would not allow them to spend the money, so they didn't really receive it, and there was an increase of vehicles during the previous year. The supplemental is to cover expenditures because of increased usage of vehicles.

Senator Chance noted that the other day a bill had passed the Senate to cover increased cost because of increased useage of vehicles for the Department of Public Safety.

Mr. Weeks said it got confusing because they have increased useage and increased rates. The supplemental was given to those who had increased rates based on old useage.

Sen. Ray asked if he was saying inflation and replacement value caused them to increase rates to replace equipment at the present rate.

Mr. Weeks explained that Budget and Management documents charges. The individual department buys the vehicle, and the rate the Highways Working Capital Fund charges the agency is what it would cost to replace the vehicle. Due to increased prices and salaries, mileage also went up. Public Safety had a lot more highway miles, and that was why they needed a supplemental.

Sen. Ray said that he had heard that the Highway Working Capital Fund people were charging other state agencies \$18 a piece to change tires and put new tires on.

Mr. Weeks said that only agencies who didn't want to be a part of the Working Capital Fund were charged for such things. Otherwise, they were a part of the mileage charge.

Mr. Weeks said that the Highways Working Capital Fund was for the prior year, and he wasn't aware of any department other than Public Safety coming in for increased mileage. The Highway Working Capital Fund has to cover expenses of running the operation.

Mr. Weeks went on to say that the Fund also has the responsibility for maintaining a maintenance shop. Due to the increase of about 40%, fuel was the largest cost. The Highway administration had to have the cost to pay the diesel fuel charge for heating the building.

Senator Ray asked Jay Hogan to explain why they were going back into FY 74.

Mr. Hogan explained that in the closing days of the last Legislative session, when Commissioner Campbell brought in a revised budget for the Highways Working Capital Fund for maintenance to cover parts and fuel, there was some confusion about the presentation and none of the Conferees (Free Conference) got the idea that the budget was supposed to cover part of 74's expenses as well as FY 75. Although it was not clear at the time, part of the money was to cover FY 74 increases as well.

Senator Ray suggested approving increased space rental and not the cost of overruns. Mr. Weeks said that actual cost overruns would be \$287,000.

The Committee decided to have a Committee Substitute prepared which would just allocate the money that was appropriated last year. Staff was asked to have a Committee Substitute drawn up for consideration at the next Finance Committee meeting.

Meeting adjourned at 11:45 a.m.

ADJOURN

SENATE FINANCE COMMITTEE
Wednesday, February 19, 1975
9:15 a.m.

All members of the Finance Committee were present with the exception of Senators Hohman, Sackett, and Butrovich. PRESENT

Chairman Ray announced, concerning SENATE BILL NO. 64 (An Act making a special appropriation to the Department of Education for the Alaska Skill Center), Mr. Lew Dischner would not appear before the Committee as scheduled. SB-64

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 67 (An Act making a supplemental appropriation to the Department of Highways) was brought up for consideration by the Chair. CSSB-67

Staff member, Jay Hogan, passed out two committee substitute drafts to the members. He explained, yesterday the Committee decided to pass out a \$501,000 supplemental and make do the best they could with the current year problem. The agency amount of actual cost overrun for 1974 was assumed to be \$501,000, when the general appropriation bill was written that it actually was \$336,300.

Senator Chance asked, they have already appropriated the \$501,000, right?

Mr. Hogan answered that when they came in with the last money request last May, they said they needed \$501,000. This was appropriated in with \$3,727,600 for 1975 expenses. By scrimping and saving, when the year ended, they didn't need \$501,000.

Senator Ray mentioned that additional money will be needed and that they will have to come up with a supplemental appropriation.

Senator Chance moved and asked unanimous consent that the Committee adopt the Committee Substitute for SB-67. There was no objection, it was so ordered. Motion

Senator Chance then moved and asked that SB-67 be replaced with Committee Substitute for Senate Bill No. 67 and that CS-67 be moved out with a DO PASS recommendation. The motion passed. Motion

Chairman Ray brought up for discussion SENATE BILL NO. 63 (An Act making a special appropriation to the Department of Public Safety, building security). SB-63

Senator Radar said it was agreeable with him to have a representative from the Department of Public Safety appear before the Committee tomorrow at 11 a.m. Later in the meeting it was learned that the Department of Public Safety representative, James P. Wellington, would be out of town for five or six days.

CORRECTION

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

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Senator Chance moved and asked unanimous consent that the Committee adopt the Committee Substitute for SB-67. There was no objection, it was so ordered. Motion

Senator Chance then moved and asked that SB-67 be replaced with Committee Substitute for Senate Bill No. 67 and that CS-67 be moved out with a DO PASS recommendation. The motion passed. Motion

Chairman Ray brought up for discussion SENATE BILL NO. 63 (An Act making a special appropriation to the Department of Public Safety, building security). SB-63

Senator Radar said it was agreeable with him to have a representative from the Department of Public Safety appear before the Committee tomorrow at 11 a.m. Later in the meeting it was learned that the Department of Public Safety representative, James P. Wellington, would be out of town for five or six days.

SENATE BILL NO. 81 (An Act making a special appropriation to the Office of the Governor, Alaska State Council on the Arts) was brought up for discussion. Senator Ray informed the Committee that he would take up this bill as he had all the necessary information. He mentioned that rather than go through the agonies of a floor discussion, he would talk to the House to see if a free conference meeting in budget could be arranged. He also mentioned that the actual cost is not \$50,000, it is closer to \$90,000.

SB-81

Senator Ray brought up for discussion SENATE BILL NO. 88 (An Act making a special appropriation to the Department of Fish and Game to purchase real property within Potter Point State Game Refuge). He informed the Committee that the total cost establishing a state game refuge would be \$300,000; \$75,000 from the State General Fund; \$202,000 from Federal funds. The Department of Fish and Game indicated there would be no impact in their departmental budget. He went on to say that at some point in the future, it is desirable to develop access to the land in question.

SB-88

Senator Rader stated that the President of the Senate should appear before the Committee on this bill since he was the primary sponsor. It was decided that the bill would be held over.

Senator Ray instructed staff member Jim Fennel to ask the Senate President to gather the background material to present to the Committee at some future date.

The meeting adjourned at 9:30 a.m.

ADJOURN

SENATE FINANCE COMMITTEE

February 20, 1975

9:05 A.M.

All members, with the exception of Senators Butrovich and Rader. PRESENT

Senator Ray called the meeting to order.

SENATE BILL NO. 183 (Supplemental appropriation to the Department of Commerce for the small business revolving loan fund) was assigned to Sen. Ray. SB 183

Sen. Hohman suggested bringing SENATE BILL NO. 78 (An Act making a special appropriation for the payment of miscellaneous claims) before the committee; however, Kent Dawson, Division of Budget & Management, noted there would be an addition and some deletions to this bill later in the session. Sen. Hohman asked what the statutes said with regard to payments of miscellaneous claims. Kent Dawson explained they were bills for prior years and could not legally be paid from current appropriations. Mr. Dawson would check the exact wording in the statutes for Sen. Hohman. SB 78

Sen. Sackett stated he could report on the appropriation bills for the Eagle River-Chugiak Borough (SB 102, 111, 112, 158, and 159); however, Sen. Willis, sponsor of these bills, should appear before the committee when they were discussed. Sen. Ray noted he would prefer to have a full committee present when these bills were brought up for discussion. Sen. Sackett said the Attorney General's report on loans to the Eagle River-Chugiak Borough was favorable, as the word "transition" made the loans possible. He would recommend \$200,000 transition money, to be repaid subject to a local election. Sen. Poland thought the committee should be aware that this loan would set a precedent for other boroughs. Sen. Sackett told the committee he would be out of town until next Wednesday, and no action could be taken on the proposed legislation until he returned. SB 102, 111, 112, 158, 159

SENATE BILL NO. 88 (Special appropriation to the Dept. of Fish & Game to purchase real property within Potter Point State Game Refuge) was briefly discussed by the committee. Sen. Ray said Battery Point could be included in this bill, as federal money could be utilized, if available. SB 88

The meeting adjourned at 9:20 A.M.

ADJOURN