

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2584

1 Subject: Department of Revenue re audit problems encountered w/ present legislation

at: Malme Haugen Haugen arrived 1/2 later

in James Vetch V. Jenkins, visitor Ron Nabala

Vetch Tom Borne B & M

#	Description
0	Liquor tax V. explains lack of control in process of liquor gateway to the state thru the dealer & shipper etc. Records based on what they were reporting to us - back causes shipping. Haugen (1) all liquor in Sea warehouse? Check route from bonded warehouse Sea to bonded warehouses in Alaska 100,000 in "shipping" the only thing they have to report is what they sell out of the warehouse
300	Haugen is attempting to pin down the central places
380	Jenkins answers he is reasonably sure they are getting a majority unless you send out a big team - hit all component areas at the same time check everything inventory records etc - Haugen sees a way to police the process HB 576 CS shld help - it needs to get thru the senate. Before liquor leaves another state the tax must be advanced the state

495 Malme asks if they have records of total of liquor sold over 5 yrs Jenkins - FY 70 4.4 - '71 - 4.9 - '72 4.8 (unintentional) (big refund) '73 5.2 '74 5.6 '75 March 5 (probably 6): Malme says how do we know what revenues we can get without ability to verify & track the thing.

600 Haugen - Raw fish taxes due? Cijrd - anyone acct's rec'd be more than pay back? (11) Income tax on fishermen & processor - done audits on some processors - Jenkins will be in court w/ me gov for deepsea vessel owners - shipper pay, crew not the chase cost is not worth it.



700 Individual income taxes in general? (Malone) IRS built in sev. auditors + sent in to the pipeline. Under control as per excessive # of exemptions

770 The data base report - There is \$130,000 in a fiscal note to finish carrying out the job for rest of FY.

808 The way it works

Data → Key punch → tapes → ID info → fed form → print sheet

when we see an industry we find out why - audit, or the law ^{item} not paying any tax

Bank taxes are part of gross receipts tax. oil & gas production taxes - collection of? They have an agreement with (Ed Hardy) C + N. Res. + field auditor of Pet + gas section of their dept. work as a team - also there is an economist working on this 75¢ royalty. Guy Martin Sterling Callender agree in May this system works - go ahead.

905 malone 95¢ we are collecting of barrel. 36¢ a ^{40 gal.} of barrel, our effective rate now - on cents per barrel only - or a little less than a penny a gallon.

1030 We're needing remedial legislation? 20-24 audits yr. now 650 multi nat'l corps now filing with us only scratching surface, + we can generate a lot thru audit effort in multi national organization who outright flagrantly break the law. Dandane 10 times his annual (net) salary an auditor should be able to generate. 5-6 times Revenue to cost ratio due to support staff.

1135 Haugen coop. commerce + tax pay.

General Subject: D of Revenue - Audit Division

Present: Drumming enters at 3 pm

Log #	Description
1212	<p>motor craft fuel tax - fishing float has enough financial obligations + troubles enough without a doubling the fuel tax. He non-propulsion stove cooking heating fuel 25% exemption - lives on his boat - Hauger questions him about 24% of total marine diesel fuel was obtained for non-propulsion use last year of 6 mil</p>
147	<p>Malme wants to compare one sales division against another for taxable + non-taxable fuel, because large differences from area to area</p> <p>Malme ^{checked to non-propulsion} F115 (375 - Look to files for their package attachments)</p>
1515	<p>What is the reason for non-propulsion fuel exempt. (Malme)</p> <p>Hauger says not increase fuel tax, but no exemptions (a crew man one says not one point - no entry)</p>
1600	<p>gas in kind tax</p>
1800	<p>Malme makes a suggestion - do it like they do the highway fuel tax - have the user put in for an exemption + make no exemption</p> <p>St. Thomas's House' bill + Revenue did not wish to answer</p>
	<p>Malme call for district refund breakout from India</p> <p>also " " projections area off-highway motor fuel tax refund this yr, last? Uetch says he will</p>

By next Tuesday.

1950 Malone recesses & will take up revenue sources
again, Tues.

739 Consensus
returning bills

HOUSE FINANCE COMMITTEE
Friday, February 20, 1976
3:45 p.m.

The following members were present: Reps. Malone, Cowper, PRESENT
Gruening, Haugen, and Duncan. Others present were Ron
Lind, Budget & Mgt.; Kay Allred, Div. of Policy Development
and Planning; and Ellison Ferrall, APEA.

The meeting was called to order to discuss HB 739. HB 739
Chairman Malone directed the committee to the new fiscal
note on the bill. The schedule indicates that work on
the census and payment for work on the census would
begin on March 1. It does not seem that the final
determination on the appropriation will be completed
by March 1. What happens if the determination isn't
made until March 10, for example.

Ms. Allred said there was a letter from the Bureau of DEADLINE
Census which sets out a new deadline of March 15. If
payment was started after that date, they would have to
postpone the September 1 date of the census accordingly.

Chairman Malone asked what type of information would CENSUS OPTIONS
be gathered in addition to a simple head count. Ms. Allred
said it would be head count, race, age, and sex. Those
will be the only questions but there is an option of using
a column 11 to get additional information. Chairman
Malone asked how that option would be used. Ms. Allred
responded that the primary desire of the users throughout
the state seemed to be to get better race information.
Secondarily, we would like some way of identifying
residency (number of years) and the third choice would
show how many people are under the poverty level.

Chairman Malone asked who would make the decision
about the options. Ms. Allred explained that there
would be a meeting next Tuesday of census users who
will try to make a final decision on column 11 use.

Rep. Cowper asked if the administration planned to REVENUE
use these figures in the context of state and local SHARING
revenue sharing. Ms. Allred said she thought they
would be used in state revenue sharing. Rep. Cowper
asked if those people would use the same figures.
Mr. Lind explained that they did not take an actual
census. They just look at changes in the number of
telephone listings, etc., and make an estimate.

Ms. Allred said that the Municipal League said they needed a census to straighten out state revenue sharing. Rep. Haugen asked why the municipalities didn't pay for it if they were going to gain from it.

Chairman Malone asked again about the specific options that the state could designate. Ms. Allred explained that the first priority would be race. There would be a new category for "native". It would help us determine those who are at least one-quarter native. In order to do that without cross tabulation, the column 8 questions on race which ask for white, black, and other would be moved to column 11 so native can be added. The second priority is for residence. The third priority is to try and find out how to identify the poverty level.

OPTIONS

Chairman Malone asked if the options were ones that the census bureau already has and you pick one or do you choose them yourself. Ms. Allred said they were free to choose their options.

Rep. Gruening asked why it was necessary to know if a person was a native. Ms. Allred said it was for state purposes. Rep. Gruening said if there was a specific reason, perhaps the committee should know. Ms. Allred explained that in 1970 the Alaska natives were only included in the other category. There are programs that they may be eligible for, but there is no way of identifying them now. Ms. Allred explained that there was a total of nine spaces that can be used optionally on the questionnaire. Race is the option that most people have expressed a need for. Many communities have also expressed an interest in knowing length of residence.

Rep. Gruening asked if there was some program that was under-funded because we are using '70 figures. Ms. Allred said she would not be able to answer that.

Rep. Gruening asked who would be making the decision on what information to ask for in the spaces available. Ms. Allred said that the meeting in Anchorage would include people from the Department of Labor, people from the institute of ISEGR, people from the University of Alaska, Reninger from H & SS, and Bill Pritchard who is in the local assistance program in Community and Regional Affairs. Representatives have been invited to this meeting from all boroughs and cities and also from native corporations. The purpose of the meeting is to find out what information is needed. Also, anyone wanting specific information will be asked to help pay for it.

Rep. Haugen asked how much they would pay. Ms. Allred explained that the Bureau of Census would bill for the cost of tabulation. Rep. Haugen asked if that wouldn't make it a federal receipt. Ms. Allred said the federal government would be paid and the state could in turn bill cities for the information.

Ms. Allred said that any cross tabulation would cost \$25,000. The \$750,000 asked for in the appropriation would include everything on the questionnaire. Rep. Gruening asked if poverty level information would require cross tabulation. Ms. Allred said it would. The Bureau of Census said that any answer relating to money requires cross tabulation and more money. Income questions require a call back. Other questions can be answered by whoever answers the door.

COST

Chairman Malone asked for questions from the committee. Rep. Haugen said he couldn't get too excited about the bill. It will cost \$1.91 a piece. No one has explained how we will get \$400,000 more in highway money. Mr. Lind interjected that part of the formula for getting highway money is based on the population in the state. The change would be marginal considering what we are getting now.

FEDERAL MONEY

Rep. Haugen asked how much money the state needed to get the Title 2 funds. Mr. Lind explained that it's basically a 75%-25% program but the majority of the additional money should be eligible for programs the state is currently carrying on.

Ms. Allred explained that the original intent was to find out if what we gained in programs would cover the cost of the census. We weren't trying to make a profit on it.

Chairman Malone said they were trying to pen down who wants the census bill.

Rep. Mike Miller joined the meeting at 4:10.

Rep. Cowper said he wanted to add, for the record, that the city of Fairbanks--North Star Borough is in favor of this bill. Their representatives called yesterday to encourage us to get it out.

FAIRBANKS

Rep. Duncan asked what had been spent on the census already. Ms. Allred explained that the only expenditure was the deposit which was a good faith indication that

DEPOSIT

we were serious. That was \$25,000.

There was a discussion of the purposes of the census.

Chairman Malone said he would like to take the bill up tomorrow morning when the other supplemental requests from the administration will be discussed. There was no objection. Chairman Malone wanted to know who wanted the information and what the cost would be to find out various questions.

Chairman Malone asked why the form couldn't be redesigned to do what the state wanted. Ms. Allred explained that in order to be eligible for federal funds it was necessary to use their forms. Mr. Lind explained that all of this information was programmed, so it required a uniform form.

The next item on the agenda is the retirement legisla-
tion--HB 36, HB 198, and SB 222. Bob Gates, Director,
Division of Retirement, joined the meeting.

HB 36, HB 198,
SB 222

Chairman Malone said that he had had a request to include in the legislation the federal Fish and Wildlife Service. He asked Mr. Gates if there was any way to make an estimate on the cost of that. Mr. Gates said he could make a rough estimate, but it was impossible to know for sure.

Rep. Gruening asked if SB 222 was the same as HB 36. Chairman Malone said they were equivalent, they were just written a little differently. Mr. Gates said they were identical if region 10 was deleted from HB 36.

The committee discussed problems of including or excluding certain groups and the difficulty of penning down a number. Rep. Miller said he felt that if someone has worked for the state, has vested, and will be eligible for retirement when he reaches retirement age, I think he should be included. Mr. Gates said that was true--the only problem is in trying to nail down the fiscal cost.

In discussing the language, Mr. Gates suggested that the language would be that this act would only apply to those employed on the effective date or retired from the system on the effective date.

Mr. Gates said that this was extremely expensive. It's an annual cost. A 50% error would double the cost.

Chairman Malone asked what an employee would do if the state excluded retirement if federal retirement was available and vice versa. Mr. Gates said he hadn't run into that problem.

Chairman Malone asked Ellison Ferrall if he would like to address any of these bills. On HB 36 he said he felt the essential theory behind the bill is to reward the older people who served the territory. That should be the overriding concern of the committee in considering this bill. There are differences in inclusions between HB 36 and SB 222. SB 477 is more inclusive. It includes the Army Corps of Engineers, policemen, and firemen.

Chairman Malone asked if there would be changes in the fiscal notes. Mr. Gates explained that on HB 198 the contribution rate would go to .33. This is largely due to reducing retirement to age 55. Mr. Gates said it was impossible to tell how long benefits would be paid to people who are 50-55 years old. It depends on the life span.

FISCAL NOTES

Chairman Malone said that it seemed that if these pieces of legislation on retirement were taken care of, that would have to be about it for the retirement package.

Chairman Malone asked Rep. Duncan if he would have enough time to develop a committee substitute incorporating these two pieces of legislation by Tuesday night. He asked Mr. Gates to prepare a revised fiscal note.

REQUEST FOR CS

Mr. Gates said that he was not clear on the fiscal notes for HB 36 and SB 222. If they did not contain restricting language the note would really only be an educated guess. Chairman Malone asked for a note for both cases. He also asked for a draft of language restricting it to people now employed or on retirement.

There was discussion of planned agendas for future meetings. The meeting was adjourned at 5:25 p.m.

Tape H76-30
Beg. 1958
End 3332

HOUSE FINANCE COMMITTEE
February 21, 1976
9:00 a.m.

Chairman Malone called the meeting to order with a quorum of Representatives Cowper, Duncan, Haugen and Gruening. The following persons also were present: Byron Mallott, Don Berry Alaska Municipal League, Ed Orbeck, Commissioner for Dept. of Labor; also of that department were Peter Keating, demographer and Roger Harmon, comptroller. From Department of Revenue were Eileen Sheridan and Shirley Woolf; from DSS Office of Planning and Research, Richard Rennigen; from Dept. of Highways, Deputy Commissioner Jim Eberhard; from Community & Regional Affairs, W. M. Pritchard; from the DPOP of Office of the Governor, Katherine (Kay) Allred; and for a short time, Avery Gross, Attorney General. Alisan Farnan, budget analyst for Legislative Affairs was also present.

CALLED TO
ORDER

HB 739 "Special Appropriation to the office of governor for special statewide census", was first for consideration. Roger Harmon presented the position of the task force on which he and Bill Pritchard had worked in the capacity of co-chairmen. He reviewed the analyses in the backup information, including justification for the special census for the cost of \$750,000. He stressed that it would not cost the legislature money, for they would in two years or less get it all back in federal revenue sharing monies.

HB 739
SPECIAL
STATEWIDE
CENSUS

Chairman Malone called for more specific reasons.

IMMEDIACY

Harmon said the census must be done "post haste" -- the Census Bureau must have its go-ahead monies by March 1 -- because of the time-line in getting the census taken on September 1.

Harmon pointed to the need of various planners throughout the state needing updated census figures which were official (conducted the the U.S. Census Bureau), in order to qualify

for federal match and revenue sharing monies. In addition, city planners were talking of going to the expense of conducting their own special censuses for state monies. Any figure generated by cities and bureaus is considered by the feds to be self-serving as pertains to bonding conformity. He added that the need is coming from an agglomerate of offices within the state. He introduced Peter Keeting to fill in detail.

PLANNING

Before Keeting took the stand, Chairman Malone questioned the 15 to 30 million dollar figure which Harmon had arrived at. Harmon replied it was a personal estimate based on years of experience he had in Washington. Also, he was aware of HUD monies and other monies going to communities. These monies which staff and implement programs depend on population figures.

Rep. Cowper asked about the two million dollars in the LEAA funds presented in the package, and Gruening asked if the \$530,000 was a non-match item. Were the non-matching funds in the Title 20 area? It was explained that the reason they used the 390,000-1970 census figure was they could verify the population was there. They checked their math with Dr. George Rogers, U. of A. economic analyst, about the Department of Labor and other state government population projections of 404,000 to 406,000 in Alaska, and he verified that range. So the 390,000 figure was a conservative census.

POPULATION
FIGURES

Rep. Cowper said in statistics in the mathematical estimate, what did the "confidence figure" mean. He was interested to see how they came to that educated guess on the 15 to 30 million dollars.

Harmon said in terms of population growth, with the federal dollars coming in, based on them, it was a "gut feel" he personally had. If someone wants to go to the work of getting a 1980 census (now), they will find that they (the state) are going to touch only the tip of the iceberg.

MONETARY
PAYBACK

Malone said his estimates show \$30,000 on the one-year estimate. Peter Keeting, Dept. of Labor, said that over \$390,000 sure dollars in the areas of HSS, Title 20, LEAA from Highways, (and Kay Allred mentioned, also Education).

Rep. Cowper said a lot of this would benefit the urban areas, rather than the state would it not? Harmon answered, "both", that Bill Pritchard could address the rural areas more. He estimates the US Census Bureau official estimate of Fairbanks is shown at 54,000, where their estimate for Fairbanks is in the neighborhood of 65,00 to 70,000 now, a significant difference in planning purposes.

PROGRAMS NEEDING
HARD DATA

Peter Keeting introduced himself, saying he prepared the budget package which the committee had, based on Dept. of Labor 1974 estimates. The general need for population is based on the requests he has on his desk for population figures, from Dept. of Law for crime impact study, in conjunction with the FBI, from LEAA funds, based on the estimates they used. Northern

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Light Borough planning and zoning requested figures, so did the C&RA for state revenue funds, as well as Kenai city planner and other city planners for their staffing levels as well as overall planning for administration. The Office of Aging, HSS, (Harry Cosgrove), needs projections of age breakout. Data procession in the D. of Administration wants the number employed over 65. Depending on what is included in the census, they might be able to get an employment question figure.

There was interest in the per capita income. Supposition figures are needed in the aggregate, needed for revenue sharing purposes. Virginia Gray in Anchorage wants Spanish data for reports concerning affirmative action programs. Private business is trying to live under the manpower training program under the affirmative action program, native hire, etc. Without correct data, this is not possible.

Rep. Gruening asked Mr. Pritchard of C&RA if a lot of this information for state revenue sharing, not federal sharing, couldn't be gotten with educated guess, or he or others just go to the villages and do a house to house count?

RURAL COUNT

Mr. Pritchard said, "In our state revenue sharing program at the present, (rural areas), the 104 cities or more of the second class that we have is based on reliable population data. The 1970 census still appears in some of these figures here. In order to change some of these figures, we require a house to house census in these 104 or so villages in the state. We do not get that. Although we have attempted because of job data to raise some of these from the 1973 US Census Bureau estimate, (still low, however), having a census count will raise it in the second class cities."

ATTEMPT TO
RAISE
ESTIMATES

Rep. Haugen asked if state or federal monies were meant. "State," Mr. Pritchard went on. Since then the federal government has updated its census estimate to 1973 we have been informed and have documentation for federal revenue sharing which will accept a new census figure and therefore predicate on new census figure and not upon a guess of 1973. Therefore, we show more money pumped into the total rural area, dependent both upon allocations provided, by the respective legislators.

Gruening questioned the cost to cities and organized boroughs of having to possibly do a new census count themselves. He thought that some of them at least, might not be able to afford that cost. Pritchard replied, "No state census is going to satisfy the federal people."

QUESTION OF
WHO CAN TAKE
THE CENSUS

Gruening asked Pritchard why his department couldn't travel to the bush villages and take the count a lot more cheaply for purposes of local census. The reply was the federal census bureau will not accept a local census. Also, as far as towns and cities went, they had been dissatisfied with the 1970 census. It had not been done well, using "imported" census takers who did not understand the patterns of the communities they went to count.

Pritchard added, under the Sixth Entitlement, nine million dollars was coming to the State of Alaska, one-third going directly to the state and two-thirds to Indian villages as defined in the act.

Haugen commented the more he talked the more contrary he got. Second class cities were originally to get federal revenue sharing. "You start out with 100 percent, then the feds give less and less, until finally the state is stuck with the whole business. If you are just breaking even, it isn't good enough with me. Whoever gets the service which the state is going to pay for, let them pay for their own census for state purposes." (Haugen gave examples from cases where federal money draws state money until the state ends up owing them money "hand over fist".)

FEDERAL
INTRUSION

Harmon said they were not asking for a financial handout. Reading an Anchorage editorial which stated reasons for a new census, he stressed the soft benefits which is the information base for sound planning.

CENSUS
JUSTIFICATION

Keeting answered the next question from Cowper about how Arizona handled their burgeoning growth problem. Several counties conducted a special federal census, but it was not statewide and it counted for federal revenue sharing, each county being separately counted. Cowper said he was concerned with the money expenditure and was not too impressed with LEAA grants.

Regarding LEAA grants, Haugen objected to "soft money". He said what we lose is hard state dollars and loss of state control of program management. Particularly distressing to him was possible loss of control over department of public safety with crime in the state, and the LEAA funds. Highway funds, likewise, affected policy, and yet the income from highway funds was "just peanuts".

LEAA
FUNDING

Harmon pointed out the state did not have its own census division, and other states did. Many questions brought up by the committee had to do with information for internal use within the state. Alternatives to losing federal grants, he said, could be to see the boroughs go ahead and get their census, and C&RA conduct one on its own. Fairbanks would go ahead and do one, but was waiting for a decision on statewide census. The price of \$750,000 for the state to conduct it includes \$100,000 to the federal census bureau for supervisory cost. The rest stayed in the state.

QUESTION OF
FED. REIMBURSE-
MENT

Gruening asked if the state could be reimbursed for their "relative cost" and Harmon thought so, saying they had considered that and there was a process to follow.

Going around the circle in the room, Chairman Malone invited Mr. Berry of the Alaska Municipal League to speak. He testified endorsement for the census bill. Duncan asked if he had had contact with the municipalities on this. No, it had come up too quickly, Berry replied, and they had not had time to become aware of it.

Commissioner Orbeck was present to observe. He expressed interest in possible change in minorities, from the 27% of the Alaska Plan.

With Mr. Mercer present, revenues affecting school districts was discussed. Population breakouts would be needed. Chairman Malone asked for his estimate of the formula based on incomes. Since Title 1 kids come from low income families, and there are not many of those in Alaska right now, he thought Alaska could stand to lose on Title 1. The state now gets four million dollars in Title 1, which feeds programs to educationally disadvantaged. Twenty-five percent of that money goes to rural schools and the military, and the rest to boroughs and city school districts. Military was included because one of the sections under Title 1 specifies "Institutionalized students", and Washington defines that to mean military basis operating within the state. Gruening asked if the funding level would stay the same with decentralization, and Mercer went into the definition of the word "poor" which varied within the state community to community. Pritchard explained how second class cities tax themselves, contingent on restricted deeds or ability to tax, plus use of a sales tax. Haugen commented that the monies they were able to generate amounted to "salt in a barrel of herring".

TITLE I

Chairman Malone commented after the 1970 census there was some argument in cities as to the population. Would this be designed so that the count would be taken within a municipality? Keeting was working on this and described the extraction of census figures from unincorporated areas.

ENUMERATION
DISTRICTS

Chairman Malone mentioned the problems during the '70 census with enumeration within the municipalities, (service area conformity). Regarding drawing lines for the enumeration districts, why did not they count them in the enumeration districts? Haugen brought up the point of special criteria, for which local communities had to pay if they needed that information. Any additional adjustments would be fed through computers and would up the cost; but they could get other information if the state wanted it.

Chairman Malone expressed doubt as to what is going to happen with the information. Shirley Woolf, supervisor of the research section of DOR and Vincent Wright, graduate economist, spoke. Estimating federal revenues from the complete revenue source book, they described how they were off by 16% in their projections for 1975, receiving that much less than they could have as a result of bad population data. Their base from which to project population data was not a hard one.

POOR
BASE COUNT

Ms. Woolf stated that the difference between population estimates of 350,000 and 404,000, currently in use, represented an incredible variation for a five year projection; but for a twenty year projection, "you are dead in the water". They cannot work without an adequate statistical base. Answering Duncan's

question as to her reasoning to arrive at income base, Woolf said that in 1970 the Census Bureau did a very bad job all over the country. It was so bad, some political entities actually sued the federal government. If the base is no good, your update is no good. Why, pursued Duncan, would the '75 census be any better? Woolf said they are trying to set it up for more control and using Alaskans.

A discussion followed as to highway funding, based on Title 23 which in turn is based on population, Jim Eberhardt said the state received \$400,000 annually. Haugen asked if that took into consideration the figure might turn out to be something else when northern lands are withdrawn. The figure would be reduced with the withdrawn lands, Haugen thought. The Highways people discussed the government's "fancy math formula" and if the data is incorrect the amount of money the entity receives is incorrect. Almost fifty percent of the states have requested a supplemental census. They have a discrepancy from the U. S. Census Bureau as to the correct information on who has had supplemental census made. Gruening commented "one gets the impression it is CIA-like".

HIGHWAY
FUNDING

Richard Renniger, of the office of planning and research, spoke next to explain the effects of a census on matching grants and its total impact probability upon the state of Alaska. It affected manpower distribution, training, and planning of health facilities -- that hard data was essential. By example, he stated hospital bed limits upon Anchorage and Fairbanks which realistically do not reflect the old census figures and planning procedures were drastically affected for these facilities. Long range projections were not possible either for program nor service aspects. Priority planning, likewise was very hampered.

MANPOWER &
H&SS EFFECTS

Harmon reminded the committee of the testimony from the head of the municipal league, where they were trying to take law and statutes and work with them; that this census is a year late but there is enough there for three more years, until the next official census. It would be a grevous error if there were no figures until 1981. If the state were to manage gas line reserves they need the tools to manage those resources.

Haugen made a motion for a ten minute recess.

Chairman Malone brought out the letter from Herman Levine, referring to the \$25,000 downpayment the administration had made for the special census. Harmon's justification for this referred to the time frame of the federal government. Concerning that amount, should the plan abort, the only charges that will be against the census will be approximately \$2,000. That would pay for the work the census bureau had done to date.

PREMATURE
DOWNPAYMENT
QUESTIONED

Chairman Malone wondered if \$25,000 couldn't be pried out of the Policy Development and Planning in the governor's office

in a year-end appropriation.

Kay Allred of that office said that money was sort of a loan of that state agency, and those departments who were going to be receiving benefit from the result of the new census could kick in proportionately to repay the deposit. Repartee continued over the source and the manner of repaying the \$25,000 down payment. Cowper asked if it was a plan for this \$750,000 to be taken care of out of the various agencies' budgets?. At first they looked into that alternative, but it got so complicated, especially with the local governments, that the best thing would be to go for an appropriation.

HOW TO PAY
THE \$750,000

Cowper asked if the Anchorage and North Star Borough were contacted about paying? Fairbanks was working with the census bureau for coming up with money to do it, weren't they? The reply was Anchorage wasn't ready to commit yet, but was interested. & FAI.

Malone asked how the time deadline of March 1, noted in the letter, could be amended, even if expeditious action could take place this day. It was the understanding if the committee did not give expeditious action, the governor's office would not go for it, said Kent Dawson. Malone then directed a comment to Dawson that even if he could predict the House vote, he could not the Senate's.

NO ACTION

The chairman said he would like to adjourn and take the matter up in the afternoon.

ADJOURNMENT

Tape H-76-31
Begin 0000
End near tape's end

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HOUSE FINANCE COMMITTEE
Saturday, February 21, 1976
1:15 p.m.

Chairman Malone called the meeting to order. Present were Representatives Malone, Cowper, Gruening, Haugen and Duncan. Others present were Commissioner Gallagher, his deputy, Larry Eppenbach of the Dept. of Revenue, deputy commissioner William Holden of Dept. of Public Works, Budget & Management Division director Ron Lind, advisor to the Governor Kent Dawson, deputy commissioner Dick Chitty from Dept. of Highways and budget analyst Milt Barker.

The chairman announced the census bill discussion would be put off until Monday, that HB 738, supplemental appropriation to Dept. of Law for miscellaneous court awards came in and five out of six had been paid, but Steven vs. McGinnis had not. The committee decided to hold the bill until they were certain what was involved, although a representative from the A.G.'s office assured them it was court costs.

HB 738

A brief recess was called and the meeting recalled to order.

HJR 39, a sponsor substitute to establish a permanent fund from proceeds derived from non-renewable resources was brought out for review. The chairman introduced and invited Commissioner Sterling Gallagher to explain the concepts therein.

HJR 39

Malone asked what was the impact of dedicating ten percent of revenues to the permanent fund upon the general funds available state balance in the future. Gallagher replied that from 1988 it doesn't impact at all. It just picks up excess funds. It really skims the excess money and if properly used enhances the credit of the state, bringing renewable spending to the current spending level.

As to the budget growth forecast there could be an 800 million dollar budget an an annual 13 to 14 percent budget growth if 25 percent was put into the fund. Gallagher mentioned having had lunch with Patten, (president of Alyeska) recently, and he said if they get to it on schedule they are seven months behind. Therefore, the Dept. of Revenue has to go through new computer thruput at 1.2. He discussed escalation

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projections and the reasons for them, saying that production per barrel on known reserves are 1.6 to 1.7 thruput.

Malone consulted with Milt Barker, then asked what oilhead prices was Gallagher talking about. It was \$9 p.b. oilhead. They discussed then the bringing of oil to the South 48 comparing it to Saudi Arabian oil, and taking into consideration the cost of tankerage.

Chairman Malone then said there were two things to pin down today on the legislation: 1) What was the most likely case for state revenues projection and 2) what reasonable and necessary budget projections might be made in order to determine what sort of dedication could be made so as to not impose severe restriction on the general fund.

Gallagher responded that based on what he saw on the West Coast markets, the state was going to be longer at a 1.2 than originally estimated. They needed on the coast some 400,000 barrel addition refinery capacity with 1400 thousand a day coming from Saudi to the west coast -- that could push to 1982 -- and shipping was going to go beyond 1.2. The projection on the Southern pipeline (Sohio) was to 1.7 impact after 1981. However, there were no revenue estimates made on this information yet, although the process was underway in the department.

Malone asked how he intended to handle the change in the renewable resources law in his projections?

Gallagher said it is read into their computer model.

Malone asked might there be from the governor a dedication different from ten percent based on the latest conservative projections? And Gallagher affirmed that. Malone said if the legislature were to enact this piece of legislation and the people were to ratify it, what benefits might accrue to the state? He called attention to the memo of January 3, 1976, bottom of page 2 and top of page 3, (see file), "will be used for investment only...etc.". The subject was what possible modifications there could be on these types of funds and also what monies could go into this fund, and what state obligation incurred in capital improvements could be included. Malone questioned the A.G.'s conclusion. Gallagher pointed to the drafter's intent sent down with a letter which could be court evidence on that question.

Cowper spoke up to say one of the chief advantages of municipal bonds is its tax free character. What the state may wind up with, he said, is a deal being made where the permanent fund gets stuck with something that's not such a great investment. He questioned veterans loans and others where no pressure from the market is put on them. (Malone agreed, saying fisheries loan was another.) He would rather see the permanent fund be under title control and not be in danger of buying

up all those loans from all those programs. He was concerned with the fund balance perhaps ten years down the pike.

Gallagher advised that flexibility be kept under the concept in HJR 39 as it would enhance all state agencies, that in ten years from now, 1986, there could be two billion dollars in the fund. When asked by Cowper what would we do with all that money, Gallagher pointed to liquid assets on his books as one candidate, and others could be developmental programs, and his personal opinion, would be to broaden the economic base for the time when the oil ran out. He agreed that these were political problems which would have to be sorted out during the interim.

Gallagher summarized that the permanent fund was a longtime credit supply. Referring to a question on credit and bank savings, he didn't see it interfering with Alaska's banking system.

Gruening again brought up his previous question: the ten percent limit. What was the thinking. Why set a limit at all?

Gallagher felt anything above that the legislature may by appropriation do at any session to take care of a given excess. But it did set a bottom limit.

(Tape H76#32 begins)

Jim Rhodes, assistant to Chairman Malone, noted his discussion with Mike Weld in New York who considered the language in the resolution as sufficient enough legal peg so that income could be set aside for the security of state agencies, for G.O. bonds and/or to permit the legislature to make that payment. (Note: the tape goes blank at approximately #115 and remains so until approximately #450.)

Next, HB 625, appropriation to a public facility planning fund, by request of the governor, was brought out for discussion. Bill Holden of DPW took the testimony seat. He said by the time the state passes bond issues and is ready to begin building there is such a short period of construction season left, the work has to be deferred until the next year when inflation rise cost creates work stoppage and suffers the project to often not get past the planning stage. This bill was to go into the Department of Administration division of budget and management. Use of this money would enable the department of public works to use the first construction season after a ballot vote.

HB 625

Projects approved by the voters would be reimbursed by the project fund. One of the problems is that the state did not have any resource with which to do some real facility planning. Consequently the legislature receives and generates bond issues which are non-coordinated, such as a bond package to build schools which did not necessarily get sewers, water, teacher housing, power, etc., because those might not be

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the bond authorizations they probably would want to adjust the amount of planning funding as well.

Gruening called for an explanation of heavy front end planning expenditures for correction facilities. This Holden explained, and he also added that medical facilities required this also. The involvement of biologists, doctors and school personnel was questioned by Haugen, who thought they were time wasters. Holden pointed out the program and site criteria using the timeline method to chart out the cost of decision making. In other words, at point of the decision there was 0 amount of cost, then by seeing time elapse, "X" amount of dollars would be added. "All you would have to do is to publish those numbers of dollars and you would be surprised how fast people start making decisions," he said.

Lind told how they now review projects and how they could review them. Now the momentum was completely on the part of the agency. Holden explained that people tend to set out their work model based on their ability to do their work. If you had five workers, for example in Fish and Game, who are in charge of doing planning and construction, then they are going to plod along. They are not going to hire another ten guys who might come along and show them up; and the same was true in his own department. People gear the work to suit themselves; not to suit to program, Holden said.

Chairman Malone discussed the fiscal note, the percentage of cost that goes into planning. He then thanked Mr. Holden for his information and hearing no further questions from the committee, proceeded to HB 695, an appropriation supplement for the department of highways.

Dick Chitty, deputy commissioner testified. Questions he answered were: percentage of federal vs. state funds used on projects in planning; process by which federal people approve state programs; how state priorities are or are not affected by federal monies; how much is available to the department from federal monies for the remainder of the fiscal year; the sudden release of 45.7 million from the federal government last year and first come, first served projects planned for that money. When asked for a priority list of projects he said his list was tentative and not formalized, but he did read a list of projects by month and geographic location. Malone asked what administrative procedures did they go through to get a project authorized by the federal government, and this was explained. How were priorities determined?

Chitty said the programming documents submitted were not federal-based priorities, but part of the state five year program, as they see it. Everything listed in the sheet handed out, under column for the year 1976 was assumed to be "priority one". Malone then called for a final and updated list of projects and asked when they might be available.

addressed in the same bond package. Therefore, roads tend to get built without looking at where the airport is going, etc. First, design needs to be improved and then funds need to be available for continued advance planning. One to three percent monies might be spent on planning for a bond issue which might fail, he said, but if that is the case the planning is not lost, just simply tabled.

This bill repeals the present planning fund which is contained in Chapter 216 of the last session and which was put into the DPW. The department recommends the fund be put into the DOA which has a division capable of dispersing money. Also, there it would ventilate fears that a program agency might have concerning a building agency spending all its money.

Cowper asked about the process of building schools; did they use architects? Holden showed the task schedule, the logistical planning chart and map representing agency requests. This was minus highways and Fish and Game. The governor had cut the total amount to half. Holden further illuminated the committee on his projected techniques for scheduling jobs, identifying program criteria, and coordinating efforts among and between projects.

Quizzed about building schools, Holden referred to concepts in HB 646, the governor's bill, where village evaluation would be done by grant program including input from villagers who could create a design and build techniques using local hire, a process to cater to the people.

Malone asked if the DOE \$400,000 would be transferred; would it be a revolving fund? Haugen asked if there would be two revolving funds? Holden replied the A.G. said that the advance planning revolving fund should be used for rural schoolhouses. Malone asked how many revolving funds were they creating. How many "caps" were they putting on the bond issues. One fund, consolidating them all, was needed.

Holden responded, a reason for monies going to the department of administration was the bureaucracy tended to feed itself and they wanted to put it in a neutral agency because before project approval, the monies would have to be justified.

Dawson mentioned that his office would be working on a consolidating plan for planning.

A brief recess was called.

Following recess Holden explained the technical process of spending between DPW and Budget & Management. Each agency role was defined. Ron Lind, from B&M, pointed out if they control funds they have some way to release monies prior to the project. The revolving plan was explained.

Naughton asked if the revolving fund applies historical ratios and percentages against the bond authorizations, and it did. Malone commented if there were divisions in

"End of next week or first of the week following" was Chitty's reply.

Hearing no questions on the legislation, the chairman announced the bills to be taken up the following Monday morning and then adjourned the meeting at 5:30 p.m.

Tape H76#31 2686 - to its end Tape H76-#32 0000 2193

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307-M

HOUSE FINANCE COMMITTEE
Monday, February 23, 1976
8:40 a.m.

The following members were present: Reps. Malone, Gruening, Haugen, Guy, and Cowper. Others present were Rep. Dick Eliason; Vern Williams, Dept. of Education; Bill Overstreet, Association of Alaska School Boards; and Alison Farnan, Legislative Finance.

PRESENT

The meeting was called to order to discuss HB 399. Rep. Eliason said the bill had been introduced last year at the request of school principals in Sitka. The sponsor substitute for HB 399 is a joint effort with the Dept. of Education. Vern Williams was asked to comment on the bill.

HB 399

Mr. Williams said that the Activities Association was originally organized in 1956 and is a voluntary non-profit organization. During that period of time the association has grown from a small number of students to 14,000 students now actively participating in 60 secondary schools. With the advent of Title 9, the association has grown at a rapid rate. It is no longer possible for it to operate on a purely voluntary basis. A full time executive secretary with a support staff is necessary.

HISTORY

Mr. Williams continued, saying that the great distances in Alaska and the small population means the association can't take in enough funds from the public to fully fund it. Approximately 40% of the revenue needs of the association will be generated by the association itself.

Rep. Duncan joined the meeting at 8:50.

Mr. Williams said the association was broken into five regions. Formerly there were two--western and southwestern. Now there are five regions. The administration of the association is retained in the hands of a board of control that is elected by the member schools of the regions. The executive secretary or director would be selected by the board of control.

REGIONS

Rep. Guy asked what the regions were. Mr. Williams responded that southeast is one region, Anchorage and Kenai is another, southwest is another, northwest is another, and one is in the central area. They are

broken out to include schools of similar size and interest.

Mr. Williams said that the part-time executive secretary that had been operating in that capacity resigned his position in December because he didn't have time to do the job adequately. The Dept. of Education has contracted with Mr. Butler of Palmer High School. He is doing much of the work of the executive secretary at this moment. Ed Fransen, principal of Wasilla High School has volunteered to help with activities for the remainder of the year. Mr. Williams commented that the Dept. of Education supports this piece of legislation.

EXECUTIVE
SECRETARY

Bill Overstreet said this is a matter that has been of concern to school boards over the state. The School Board Association urges the passage of this legislation.

Mr. Overstreet said that someone was needed in a leadership role. The way it has been in the past is that someone who had another full time job has been asked to do this on an overtime basis.

Rep. Haugen moved that the bill be reported out of committee. This has been before the committee eight or nine years. It's time to put it all in one place and under some management that can handle the problem. It could be a little more self-supporting, but that problem can take care of itself.

HAUGEN
MOTION

Chairman Malone asked what dues were charged. Mr. Williams responded that the budget represents an increase in dues just this last year. It is on a graduated scale. The small schools pay \$200 per school and the larger ones are paying \$600. The dues were raised in an effort to help solve some of the financial problems of the association. There was an additional proposal that would have increased the dues substantially more, but this met with a good deal of resistance from the schools because of the excessive cost.

DUES

Mr. Williams said that the school size was the basis of the rate. There was a proposal to put the dues on a per student basis, but the large schools would have been paying far more.

Chairman Malone asked what salary range the person would be at. Mr. Williams answered that it would be a range 22-A.

SALARY
RANGE

Chairman Malone asked about the money listed for board meetings. Mr. Williams explained that it would cover travel and per diem. Chairman Malone said there was nothing listed for executive offices. Mr. Williams responded that the Dept. of Education felt they could find spaces for them. Chairman Malone asked what contractual services there would be. Mr. Williams said there would be the cost for legal fees.

COSTS

Chairman Malone asked if there was objection to the motion to report the bill out. There was none, so the motion was adopted. The committee report was circulated with the majority signing "do pass" recommendation. So, the sponsor substitute for HB 399 was reported out with a "do pass" recommendation.

SSHB 399
DO PASS
RECOMMENDATION

Chairman Malone asked for a fiscal note in the regular format on the bill.

Rep. Buchholdt joined the meeting at 9:05.

Rep. Cowper asked why it was necessary to have a master's degree for the executive secretary position. Wouldn't it be better if the person had a good knowledge of sports. Mr. Williams said that they wanted someone who has a broad range of knowledge of school business in general.

MASTER'S
DEGREE
REQUIREMENT

Rep. Itta joined the meeting at 9:10.

Chairman Malone said he wanted to keep the bill here until a revised fiscal note came in.

Chairman Malone brought the members who had been gone for a couple of days up to date on what had been happening with HB 739 regarding a special census for the state.

Chairman Malone outlined plans for future meetings. The meeting was adjourned at 9:25.

Tape H 76-32
Beg. 2175
End 2756

HOUSE FINANCE COMMITTEE
Monday, February 23, 1976
An All Afternoon Hearing
Special Transcription

Chairman Malone called the meeting to order. Those present were Buchholdt, Itta, Cowper, Gruening, Guy, Duncan and Haugen. Staff personnel present were Jay Hogan, director of staff for Finance Committees and Carl Gonder from Budget and Management. Bill Hudson, director of the Marine Highway System was present to be questioned.

MARINE
TRANSPOR-
TATION
BUDGET

Chairman Malone called immediately upon Mr. Hudson to testify, saying he understood Mr. Duncan had to leave. Malone then asked Hudson for his plan of operations and whether he saw any significant changes in that plan of operations in the current fiscal year. What would he try to do in the division in the budget year?

Hudson: In the FY 77 budget that we projected largely calls for summer operations that traditionally and basically is three vessels out of Prince Rupert, the Malaspina, Matanuska and Taku, and the Columbia on a weekly schedule out of Seattle, the Bartlett already in Prince William Sound, however operating this year at one extra trip to and from Cordova than has been the past year, so there was a slight decrease in the revenue projected as a result of that not going by the face of the Glacier that extra day they have traditionally done. Tustemena's operation, basically the same as we have done in years past -- once into Prince William Sound, and the balance of the time serving the communities of Kodiak, Seldovia, connecting with Homer and Seward.

The budget of FY 77 reflects a conversion of both the Columbia and Malaspina with a reduction of personnel on the Malaspina of seven times two crews, (14 positions), and ten times two crews on the Columbia, which is 20 positions. It also reflects an anticipated increase in revenue as a result of longer hours of operations if those two vessels were converted to the fast food service. It does not reflect the new Le Conte 2 on the line until at the conclusion of that particular FY. We delayed bringing the Le Conte 2 on until after July 1, 1977, in that particular schedule. It is now anticipated that that vessel will be "RFS", ready for sea, on or around May 15 of 77 -- --could conceivably go on line in May. However, we purposely

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for budget purposes held her off until first of July.

Matanuska, being removed off the line for a period of seven months for stretch-out and normal winter months on all of the vessels. So the winter schedule would basically be the same as it was this year.

It does reflect the Bartlett off the line again next winter as it was this winter with the Tustemena covering the entire Southwestern area. Mr. Chairman, I think that's basically ---

Duncan: You say the Matanuska had been off for how long?

Hudson: Seven months.

Duncan: That includes stretch-out; the whole bit?

Hudson: Yes, stretch-out and the maintenance. We would have the Columbia, Malaspina and the Taku on the winter operations on the full winter season. We have no vessel in Southeast Alaska scheduled for layup on that 77 budget.

Duncan: What's the normal dry-dock time for those three?

Hudson: Normally about forty working days on each one. But that converts to about two months on each one.

Duncan: So at any one time during the winter we have two ships on?

Hudson: --which is basically what we have had traditionally.

Hogan: Mr. Chairman, may I ask Mr. Hudson a question? Mr. Hudson we have several questions on the capital budget. It isn't too precise on what is going on with the Matanuska and Taku. It says "to renovate and improve the Matanuska and Taku" and it says "perform structural modifications, etc. I take it this does include a stretch-out of one?

Hudson: I'd like to speak to that. Originally, and there was some question about which way we should go, whether we should stretch one and just simply try to rehabilitate the passenger spaces on the other or whether we should just take and go into a very fine upgrading on both of these vessels. Originally I was a proponent of keeping both of them in our present configuration with the existing length, no additional section added in the middle, and to go through and tear out all of the cabins, washrooms, facilities, etc., and come back in with additional cabins around the horseshoe and other modifications, with the same hull, complete configuration as we had in the past.

I went to the naval architects. I went to a couple of shipyards, and I had my own engineer check the thing out and there is

fear that any additional weight added topside to the vessels of the Matanuska class-frame would create an unstable vessel. For that reason I went back to Mr. Gonder, to the Budget and Audit, and to the Governor's review committee, and recommended instead that we go for the stretch, add tje 57 feet -- which gives us the stability which does give us the 20% increase in cabins, car deck space, and other amenities on one vessel; and then on the other one, simply go into an austere modification on an upgrading of about 1.5 mm dollars. Now we have a belief that we can stretch the Matanuska next winter for 10.5 mm dollars. That doesn't include any gingerbread. It's a good hard stretch, but it gives a stable vessel. It does increase our capacity for the summer operations by twenty percent and that would be my game plan. I would like to go for a 10.5 mm dollar stretch on the Matanuska this winter and a 1.5 mm dollar -- simply upgrading -- on the Taku on the winter following.

Duncan: What do you mean, "no gingerbread"?

Hudson: I mean no plastic seals, no upsidedown iceburgs, no bulkhead coverings, open, exposed bulkheads, sprayed type of stuff as opposed to the marlite that rattles and chatters --

Haugen: All those fancy light bulbs.

Hudson: None of the fancy light bulbs; we would have flush type light fixtures. All the staterooms we would convert to two passenger staterooms with an inner connecting door on both vessels.

Duncan: When you stretch this thing what are you planning on? This is the Matanuska now --cafeteria, the diningroom -- would stay the same?

Hudson: No, what I'd like to do is to program, depending on how the summer works out on the Malaspina, if the public accepts the conversion this summer and the fall, then I would like to do something using the federal money, the 10.5 mm dollars, and that will be the time to do it -- on the Matanuska as well. If it doesn't pan out then it would be my suggestion to leave it alone and leave the dining room with modifications in there to provide better waiter stations and and replace a number of the rather obsolete deep fat fryers and steamers and other components in the galley.

Duncan: When will that decision have to be made as to when you are going to have to change the dining rooms?

Hudson: On the Matkanuska? I should say that we should give it the whole summer here and we hope to set up the proper record keeping capabilities to determine just whether or not the public does accept it, whether or not we have a mass rejection of the system.

Duncan: Then it would have to be made before January, 1977?

Hudson: It would have to be made -- we'd actually have to have two plans: we would have to have one plan to modify the Matkanuska's galley arrangements -- we would have to do that very soon, as soon as we get the approval on the project -- and we would have to be prepared to proceed with that next fall and we would have to be able to give that to the shipyard at least sixty days in advance of their receipt because you see, they are going to have it for seven months -- literally speaking, have it all winter long. The first part of that seven months will be tearing out and cutting in half and adding the additional 57 feet in the middle so the modification can actually wait until probably the first of January, 1977. At that time we would have to give the shipyard the go or no-go, the requisitioning of the next components -- that and the word whether that would be an optional item. That's what I would suggest. The exact details don't have yet.

Haugen: Mr. Chairman, may I ask a question of Mr. Hudson? You know the remodel we went through on the Malaspina -- when they got the thing in the water, it couldn't stand the stability test. What do they put in that, 70 ton ballast? Is Spaulding going to do this job for you?

Hudson: I am not certain, Ernie. Quite frankly, we were very disgruntled and concerned about Spaulding's capabilities.

Haugen: I guess the logical thing is you have to go to bid with it. The original ship was designed for one thing. To begin with, any naval architect that could put a ship in the water with as little -- it wouldn't pass the Coast Guard's stability (test) with one twenty foot van on it -- now there has to be a clamdigger around that had something to do with this.

One other question. You are talking about austerity --- leaving the gravy off doesn't bother me at all. The one thing that I think has to be considered are those elevators. Now there's money that's been appropriated any number of times in the last ten years for that. It's got to be done, especially -- -I hate to say this on the record -- but these stewards they just won't -- some of these old ladies, they won't take a bag for them if they were crawling up the stairs with them. It's unbelievable. I would hope they would have elevators as one of their considerations.

Hudson: That is in there, Ernie.

Haugen: One other thing inter-port passengers talk to me a lot about is a place where a woman with a baby could have a place, you know, change their diapers, and swab 'em off a little bit and things like that. Now, there's no place where they can do that. They have to get down on the deck or someplace. I got several people I said I would keep that in mind. There's no place where they can have a sink and a table where they can put the baby down and change its clothes.

They got that little run from Kake to Petersburg and lots of wives go over there to bring their kids to the dentist, or the banks, and there is no place -- it wouldn't even be out of the way to consider a crib or playpen or something like that where a mother could set the kid down so she could go have a sandwich or whatever she has to do.

Malone: We could expand on that. We got a day care bill here. Day care in public buildings -- we could make day care on Marine Highways.

Haugen: (Indicates dislike for the daycare bill.) There's a lot of them that go to Petersburg, Ketchikan and Wrangell. I have a letter down on my desk right now asking if you would consider that. I have had any number of people who have asked me that.

Malone: As little as I've been on the ships, I think you're right. Once or twice a year I travel on those ships like down to Sitka coming back up to Juneau: there's a lot of kids swarming around and some day we're going to lose one over the side one of those times. It could happen.

Haugen: Another thing, if I could have another minute, Mr. Chairman. These situp chairs -- in the old country in the inner island common ferries they have recliners and they charge or use them. Here, one guy buys a stateroom, two beds. I know its impossible to rent blankets; they pack it off on you.

Hudson: Maybe that's what we should do, Ernie, is these survival blankets.

Hudson: I have several priorities that the staff and I believe ought to put on the vessels as we overhaul them. One, of course, is improvement to the vessel to accomodate the handicapped -- at least select public facilities to take care of the handicapped people. We sent to the industries and we have a number of not-too-terribly costly, things that just ought to be done in order to make it easier for someone who is a cripple of not able to get around to the same extent that others do and the elevator was definitely a part of the Matanuska's rehabilitation. We got a new figure on that. It now looks like its a \$200,000 cost in order to put the Malaspina's elevator in, and we had projected her for 1978. That's the way the governor's budget is projected now.

Another thing about her is perhaps gift shops -- they've gone at least a little beyond what these type vessels ought to carry and perhaps we ought to go back into drugs and sundry type of line and add the drug and sundry directly to the purser's area and perhaps instead of hiring somebody for the gift shop, hire an assistant purser that could take some of the overtime

problems away from purser and of course, somebody to handle the drugs and sundries. This, I think has to be evaluate It's not a profit making type of a thing but in the long run it can be a financial advantage to the system.

And then, of course, I remain excited about the potential of the buffet style operation. I would say that in all of the public meetings that I have held and I have been now just about throughout the state, I see less concern for that, except for a few select individuals. In fact, the elderly people that I talked to are for it almost 100 percent and that would be my hope that we can institute this program.

We will have the Malaspina converted by mid March and start determining whether or not, ironing out the bugs sort of thing, hopefully by the summer season it should be a producing type of machine.

The Columbia at the present time, we are simply trying to make the necessary cost factors to do the conversion so that Commissioner Harris can review them and forward them on to this body as well as the Senate and the Governor's office with his recommendation. Time is rapidly becoming a problem on the Columbia, particularly because of the conversion the lead time necessary for equipment. We want to make certain that this time we have an estimate we can hang our hat on. We were very disappointed in the last one.

Duncan: What kind of lead time do you need?

Hudson: We need at least 60 days. On the Columbia, there is not that much structural alterations required; it's mostly equipment. Also, on the Columbia, the decision is not nearly as critical as it would be on, say, the Malaspina or Matanuska class. On the Columbia, if you ran it for two months and it was rejected by the public or it was costing more, or not making as much, all you have to do is hire the people back on board and go right back into the dining configuration. The modification consists largely of cutting into one bulkhead and putting a fire screen window that can be served from the galley directly into the dining area and the removal of the oval screen, half-semi circle screen. In both cases the dining area is basically the same except on the Malaspina. On the Malaspina we take the seal out and put chairs in there or family type sitting arrangements in there.

Malone: What are you going to do with the seal?

Hudson: I will give it to anybody that wants it.

Hogan: We would like it here.

Hudson: What? Do you? Okay. It will be "excess". I don't know what they do with excess stuff.

Malone: Well, you have at least one request to "excess" it to the Legislature.

Hogan: Mr. Chairman, may I ask a question of Mr. Hudson? Mr. Hudson, When the Malaspina was originally stretched, my understanding was it was structure work on the hull and the engine room operations and equipment pretty much stayed the same, so that for midsection work you had new ship but for bow and stern and engine room you had a ship that was still pretty much as it was when it was originally constructed. How does that related to the overall value of the ship's overall life? In other words, my question is aren't we still going to be faced with a 25 year normal ship phaseout for the stretched vessel?

Hudson: I think the stretched vessel adds ten years of the life to the passenger areas and on these vessels something has to be done with the passenger services areas or we will have to shut them down because people will no longer continue to ride these vessels unless you go into a major rehabilitation of the passenger areas. The cutout as I have observed it -- looking over the Malaspina, what they actually did there is indeed, they cut out the 57 feet and they added 57 feet of all the vital connecting components; but they went beyond that point. They replaced all of the piping that was determined bad at that particular time. Where they had originally roto-rooted the piping systems, where they magniflux them, they found that the piping was down to a certain extent, they simply replaced all of the pipings in one particular section and I think in most plumbing type of an operation, if that much of the piping, they say replace the whole thing because its going to break. We gain ten years on the vital components of the vessels.

Now, we didn't gain anything on the power package, and there is a big expense; even on the Malaspina we are having to look at either a major replacement of these main engines unless we can come up with viable preventative maintenance program and very soon -- which we haven't done -- I would say from my look back at the history here,, we don't have any trouble getting all of the funds necessary to fund new wage increases -- traditionally, you are going to have troubles with that. But we have had to fight tooth and nail to get the necessary money for the hardware and the components. I don't believe the Marine Highway has had a viable, preventative maintenance program. I think now we are going to have to be putting some money into the budget each year and straight programming component changes on major components so that we can preclude this four million dollar job that's coming up seven years from now and I think we can do it if we start programming sufficient amount of dollars. If we don't, then we are going to look seven years down the line and we are either going

to have to get rid of the ships because the power plants are either no longer efficiently operating or we are going to have to come in and put a major whole new component in both main engine, shafts, runway.

The hulls look good. All the AVS people that I talked to, and I have talked to the head surveyor on the West Coast, indicate that the hulls on the vessels of the Alaska Marine Highway are good for twenty more years. They are unbelievable, as a matter of fact. We have lost very little -- there's very little pitting, very little electrolysis, and that's a good sign. So what I would try to do now is starting this coming winter, is to have advance planning to come in with a good preventative maintenance program to reorganize my own staffing so I could get some of the key people back out on the vessels so that we could come up with a year round preventative maintenance program and to hopefully preclude this major re-engineering in seven years. If we don't, then we will have to do that.

Hogan: Are you saying, in essence, that the power package and (?) from the existing original Taku class, we are expecting a twenty year life expectancy for those power plants?

Hudson. Yes.

Hogan: Supposing we had had a better preventative maintenance program from the start. What would you anticipate then with power?

Hudson: I would anticipate the power package to last as long as the hulls last, with a good preventative maintenance program. I think that they have been neglected.

Haugen: Have you had rebore jobs and stuff like that on the main engine?

Hudson: Oh yes, we put in --

Haugen: How many reborings can you stand?

Hudson: Not too terribly many.

Haugen: I don't think most of these people understand what we are talking about. I'd be surprised if you could get out of them engines the entire life of the ship.

Hudson: We haven't really investigated them, Ernie, to the extent that we need to go in there and investigate exactly the condition of our vessels and our power is right now. As to what the metal is, how much more sleeving, boring, it'll stand --

Hudson: Now we are starting to get into some trouble with the shafts on the Matkanuska. She's going to have to have

some metal boring on the ends of both crank shafts this year because she wobbles.

Haugen: You're getting into the main shaft? You're really getting into problems!

Hudson: What I'm saying is that I think they have been neglected and what we are doing is cosmetic in these components. And we may have to start replacing them. We may have to replace an entire generator.

Haugen: That just means one thing -- that things are slack.

Hudson: We put in, I don't know the exact number but something strikes me as 12 liners on the Taku this last winter.

Haugen: Twelve liners? _____!

Hogan: I'm confused on the stretch. Which one is to be stretched? The Matanuska? Do you propose to do the same stretch as is on the Malaspina or do you propose to go a little bit more?

Hudson: No, exactly the same.

Hogan: What concerns me is that we are running a risk of perhaps expensive engine renovation and power (?) renovations following directly on the heels of the stretch, which would then bring up a very clouded issue of, "Well, we just spent 10.5 mm on this ship. How come we need to spend two more million?" Is there a potential for that kind of a hassle?

Hudson: There is always a potential that something might break.

Hogan: Well, laying aside that --

Hudson: Generally speaking, I wouldn't think so. Thinking that if we were to stretch the Matanuska with the basic hull stretch that we gave the Malaspina that we wouldn't be looking at a preventative maintenance program again. I am not that concerned at this point; in another ten years we will certainly be looking hard at this.

Hogan: What are the major characteristics of the preventative maintenance program that you are talking about? What ought to be done differently than has been?

Hudson: I think we are going to have to start replacing before things break down. As it is right now, we do, for instance, shaft assemblies. I think we will need to get in and make these magnaflux, XRay, do a better investigation each winter and maybe before even the winter comes up, and waiting until it breaks in certain cases like we had last year: the Malaspina shaft broke and we lost something like ten days. We lost quite a bit of money and a great deal of impact on traffic. I think that all of the generators -- we are going to have to start replacing major parts of the generators, maybe the

whole generator. The only thing is that I think we can say the engines themselves can last for another ten years. Perhaps even longer.

Haugen: Don't misunderstand this question. What are the recommendations you have had here -- as to this Columbia fiasco, one of the recommendations was that we probably put a marine architect and a good marine engineer on -- he's doing this work for you; but whose word are you taking right now?

Hudson: Ernie, at this time we are relying pretty heavily on Nickerson-Spaulding's people. However, since that time I have place on temporary basis a naval engineer that has traditionally taken care of the Coast Guard's winter maintenance type of program -- a fellow I have a great deal of confidence in, who doesn't give me the full technical background that I need, but he can help me in setting up and evaluating and correcting the program that I have right now. He can help me start setting up a maintenance programs and then we are going to have to go out and hire necessary naval engineering expertise that we don't have in house.

Haugen: Somebody who can sit down and look nose to nose with Spaulding there --

Hudson: You bet. It's entirely possible we should try to get away from Spaulding for awhile and go to somebody like J.B. Henry, the architectural firm out of San Francisco, and get some new blood into this thing, and pay them \$50,000 or whatever it is and inventory our entire fleet and tell us what the situation is. Now because money is very, very severe, I was going to call in Max Zabindon who I have a great deal of confidence in to start doing this. He's a real sharp fellow; he's a retired Coast Guard commander, who is a naval engineer, and is on my payroll on a contractual basis right now, assisting us with a Columbia warranty and also the Malaspina conversion, and Mr. Harris and I are both very, very pleased with the performance of work that he has put out so far.

Haugen: Unfortunately, we are into the time period right now -- but you know I came up on the Columbia. It's absolutely horrendous -- that vibration in the bow. My god you might just as well be ridin' a horse!

Hudson: Has that been since they put in the structural modifications?

Haugen: I don't know. I came up on the ninth of January, that weekend, and it was worse than when it was on its maiden voyage in 1974. It was very bad.

You know, I got a couple of friends who were trained in the old country and they really know their stuff; and we talked

about this before the damn thing ever got in the water. Honest to goodness, if that ship lasts 15 years, it will be a miracle!

Hudson: Yeah. Shake apart. Ernie, you understand my problem: I have a very limited staff. We have a very difficult time just keeping up with day to day operations -- the bridge falling down, vessel catastrophes, personnel problems, things of this nature. When I arrived aboard, looked over the staff, "you say, well good lord you got everything you need in there" -- but we really don't. We are working very hard. We don't have the talents that you really need to do the job here and all that I can say is I'll be asking for help here in the areas we need help and the areas we will be looking will be in establishing a good preventative maintenance program and establishing a good winter maintenance program and establishing good parts warehouse inventory and then looking outside, perhaps, the Nickerson-Spaulding realm, here for some expertise on inventorying the condition of our vessels and all of the components within and hopefully redesigning where we arr (compared) with what we are going to have to do in the future. Right now, I just simply have not had the people or the expertise to give this good profile.

Haugen: Okay, now you are thinking about the Malaspina renovation. You are putting a ship in the water and it couldn't pass the stability test. Now that tells me something. And number two, when you bid the Columbia you just awarded a bid to construct a ship and after that they started to build a ship and with some of the workmanship you couldn't walk the deck without stumbling around. It's like going up one of these cobbled streets around here -- I just couldn't understand an architectural firm that can even tolerate anything like that and if you ask them they say "we tried to do something about it". Well, we were paying them.

Hudson: I can't believe anybody building a tower that's going to topple over no matter how beautiful its going to be. We did this later winter -- take the incinerator out of the stack. We had 16 tons, 16 tons of incinerator in the stack on the Malaspina!

Haugen: Okay. The ship engineer ought to get fired for that. That's all there is to it!

Hudson: Well, we took her all out -- never has been used, you know. Obviously, everybody has to haul everything over their shoulders to get it up there; we did pull that out. And that will be "excessed".

Duncan: I have one concern on the capital budget before I go: the Skagway dock improvements -- \$1,300,000 bond -- with that work there, are you satisfied that is a reconstructive problem with the docking with the wind pushing out when you got to get in there?

Hudson: I am satisfied this will be a good operation year around in Skagway.

Duncan: What exactly are you changing on the docking?

Hudson: Skagway has a horseshoe like this. And then the boat basin is over here. (Shows map.) At the present time, our dock configuration runs like this, with the transfer span over here with the causeway leading out; something like that. Small terminal building here, and staging in this area here. The wind traditionally comes in and out, like so; and so our vessel has to come in and tie up like this. This is the reason we didn't operate in the winter because of this (bluff?) to the wind. This thing has also fouled up the entire water front of Skagway. So what we are going to do is one of two things: we are negotiating with White-Pass-Yukon because this whole basin belongs to them. At the present time they have an oil dock with a tramway leading off and they are building over on the side right in there. We will very likely come out like this, and our ships will come straight into the wind like this. At the same time we will have the multiple purpose staging area here. If this is terribly objectionable to White Pass & Yukon, as it is, the only problem we have right now is a breakwater, a breakwall. (Describes its location.) If this is objectionable for us going over here, to White Pass, then we will insist that they fund a modification of this breakwater like this, and open it up over here, so that you can have a small boat entry on that side, which would be the best small boat entry. And then we would design a dock structure like this (describes). At our last meeting, we determined that this would cost about two million dollars more than we had. Therefore, they said "no way" and "you are not coming over here", and we said, "eminent domain" if we have to, "we are going to have a dock over here consistent with the opening of that highway so we can function getting in and out with the weather," and so far I would have to say in all probability we would be building right here. Just about two weeks ago we met with the City of Skagway. We have been consistently meeting with the City of Skagway and officials of the Yukon & White Pass Railroad. We will have a dock that will permit us to function in all weather.

Carl Gonder: Why use the side loading there? If the highway is going to come through, it is going to increase the traffic. Why not stern load at Skagway?

Hudson: Because the vessel masters tell us they don't want any part of a stern loader.

Haugen: Well I can see the point of view.

Hudson: One thing when you come in, there you are getting a lot of lumpy-lumps in there, and when you come in at the side it's a whole lot better to ride in the face of your dock than it is to operate into your box.

Haugen: You get a stern roller with a following sea -- your ramp? The ship is going to be going up and down together and if you get a van on there you compress the entrance -- Oh boy!

Hudson. Yeah. From an operator's point of view this thing would be the best that we could come up with, although the side loading is a lot slower than a stern loading would be.

Gonder: May I ask you about the list of safety equipment that the thirty officers in the system wrote in a letter? I don't find any of these in your budget except for the possibility of the additional or more powerful bow thruster for the Columbia. To refresh your memory: 1) anti-collision radars for all ships; 2) stabilizers for the Malaspina and the Columbia; 3) anti-icing window washdown systems for pilot house in all vessels; 4) in all vessels higher horse power bow thrusters for the Columbia and Taku; 5) power cap stains at streamline stations for all vessels, 6) console gyro repeaters for Taku and Malaspina, 7) radar magnifiers for the Columbia; 8) hospital facilities; 9) have properly trained personnel on all vessels; how does that fit in your scheme of priorities?

Hudson: Well, I disagree that they need anti-collision radar. On the waters that we operate on, up here you would be collided with the beach, basically speaking because you are not talking about other vessel traffic as much as you are talking about the proximity of the beach. So I disagree that we need anti-collision radar. So does Cpt. Bendixen, and when you really start talking to a lot of the masters, none of them are all that keen about anti-collision. However, the feeling that the people ran out into the industry and they picked out a lot of real nice things to try to embarrass the system -- ---the stabilizers: it would be nice to. I'm not so terribly certain that it's all that necessary. Again, do we want to put our money into that kind of amenities? The best I can gather, I think there is a lower priority than what they can put on to the thing.

The gyro-repeaters: we are installing the gyro-repeaters at the forestation on all of our vessels. That's the first thing I did when I got here.

Haugen: Is that the one that checks your speed when you go through the Narrows?

Hudson: Yes, right up at the counting stations so a man can see it and I had that right after I got here.

Haugen: You got one now on each ship?

Hudson: No, we didn't have any at all on the ships. We got one or two ships now and we'll have one put onto the Malaspina before she leaves, one to put on the Matkanuska before she gets out this winter.

We do have two radars on every vessel, and we replaced the radars. You know, I am an "ex" from the service where they have only one radar on a ship. So it depends on how safe do you want to get, and it is judgement type of a question as to how much you want to put on there.

Malone: What about the anti icing?

Hudson: The windows: I checked with Max Zabindon, with Hugh Macdonald, and we don't know what they are even talking about. We've never seen any good anti icing windows.

Gonder: It's a window washdown system.

Hudson: Again, I am not so terribly concerned that is needed; we have hot spots in every one of the pilot houses. We have the whirling windows, which as long as I have been in the profession has been adequate. It isn't perfect, admittedly, but these washdown systems, the best I can figure, I don't know how they can keep them from freezing! And it does require complete piping systems from some water source up to the pilot house and I can't give a high priority on water washdown systems.

Gonder: Now are you saying that you are satisfied that the additional bow thruster from the Columbia will take care of the lack of power in that area?

Hudson: I have not got a specific bow thruster system in mind yet. I'd say that the bow thruster money ought to be either used to take out the existing one and put a 1,000 h.p. bow thruster on the Columbia, or we ought to look into the industry to see what it has--a double bow thruster, a second thruster, a second tunnel going through the same area there so that you can activate both or one of them, or have one in for a backup, (and I think it will work).

Gonder: The radar magnifiers for the Columbia?

Hudson: Captain Bendixen doesn't believe that they are necessary. He sees the thing that we have gotten along fine; it all depends on which master you are talking to. The radar magnifier is an adaptor that goes on board. It's not all that expensive and it really is not an issue. I'd go out and buy the darn thing just to make it less of an issue.

Gonder: How about the hospital; well, kind of a first aid training --

Hudson: We have got 12 of our senior pursers established as going to Sitka for the EMT, emergency medical training program instructor training program at the police academy, and I am negotiating with Public Safety right now to ask them just when they are going over there -- but they definitely

will have 12 of our people going through that program and then they can start building up our own people's expertise. As to the first aid station, someplace to put them in there -- what I am looking at at the present time is rather than take a passenger cabin, another one of our very limited facilities there, what I am thinking about the purser's area and converting that and using that as a first aid station and then putting the purser into one of the cabins until we go through and rehabilitate and create a separate room for him. But we are rapidly running out of revenue cabins because of the fact that we are now asked to provide a first aid room, a lockup room, a room for the purser, then the steward says "the purser gets one, I want one too because I don't like my location" -- and then, of course, the pilot observer, these other kind of people are rapidly expanding into the passenger areas. We are going to start getting these people back down into the crew spaces where they originally started.

Haugen: Give 'em a hammock on the main deck.

Gonder: Following up your comment, Mr. Hudson, I support elevators. That is a very serious problem on the largest class vessels. The state settled in 1973 a substantial loss involving injury to one of our passengers on the car deck, who were disembarking on the Wickersham at Ketchikan; and they settled the suit in the amount of \$30,000. Now that accident will not have occurred if the vessels had used a separate passenger offloading device. Now, I notice that those locations where they have installed have all been taken out including the electric motor that puts them in place, etc. What is being done on that kind of facility to separate passengers in that particular situation that produced that kind of law suit?

Hudson: We are going to experiment with a vessel-carried gangway that can be shifted on one side or the other and actually from the passenger deck. The problem is the same problem that we had all along and that is we know that when we institute passenger gangways we are going to have to put additional people on the payroll. We are going to have to have additional people called out, and it means more money involved, and I am not saying we won't do that, I am just saying we have to come up with a full complement, an actual gangway we can swing in and swing out, fold up, fold out. However, we are studying that right now. As long as we come up with a good design that we will probably just go ahead and buy a couple of them and put one on at least the Columbia and the Malaspina.

Gonder: I notice that you are adding additional pursers or are adding one on the Malaspina.

Hudson: We found that the overtime we are paying out to the ones we have on board more than provided for just adding one purser justified on board.

Gonder: So you would have one to handle the vehicular traffic, one for the passengers, one to stand by the desk and to handle the staterooms?

Hudson: We have to work out some details on that yet.

Gonder: I am just wondering if you could bring aboard, at least temporarily, some of these senior citizens, people who are older, who are handicapped, on those gangways, even those that exist now, you might obviate the necessity of immediately putting in those elevators and other passenger lifting devices. And this HB 225: in those similar vessels, use those elevators that fold up into stairwell, something to that effect, rather than going full fledged elevators. I was just wondering if that might assist you in getting at the problem.

Hudson: The passenger gangways?

Gonder: It might.

Haugen: Mr. Chairman, may I ask a question of Mr. Hudson? Mr. Hudson, have you ever let the Camel Marine, Seattle -- built some of those great big tuna seiners you know. Every one of those tuna clippers has a bow thruster system. They can turn the bank of the ship going full speed with that tremendous seine dragging off the stern. You know, this is a tip -- you might get together with those guys. They really know their business. Those tuna seiners now are getting to be about 230 to 240 feet. You can set that seine full speed dragging off the stern. Of course, you have to use the bow thruster. They could really help you out there.

Malone: I have a couple of questions. One is on the Auke Bay terminal improvements that's on here, that you have in the budget. I would like to find out what's in that. I notice there's a terminal building also in the capital improvements program, so we got a total of three million dollars in improvements at the Auke Bay terminal. How does that compare with the level and type of service we have now and what does that mean in terms of the downtown Juneau dock?

Hudson: It has no impact whatsoever on the downtown Juneau dock. We have a serious problem in that we have two terminals in the present plan, and neither of them have adequate staging space to safely stage the handling of the public in the summertime. So what we are doing is we are tripling the staging area at Auke Bay, creating a second dock and transfer span so that at the present time when a vessel pulls into Auke Bay and the LeConte is at the dock and she is at times because of her shuttle schedule, then the LeConte has to get under way and go off and stand off in the bay while that vessel can operate her two to two and a half hours beside the dock loading and unloading. So we have got basically two problems there. We don't have sufficient dock space in Auke Bay where the LeConte operates because she operates to Sitka so the 2 1/2 million dollars will increase the staging area and for building a second dock and transfer span. The five hundred thousand dollars which comes from the year following will put a terminal building out and of adequate size to serve the public. We have right now -- if you have been out there you will know it's totally inadequate.

Malone: Bill, you said you didn't expect it was going to impact the (?) operation but it seems like it did. Could you elaborate on that?

Hudson: The only thing that is a problem is that at the present time every time we want water for the LeConte, we have to come all the way downtown. With the funds we have available at Auke Bay we will put a sanitary system out there so the public's waste disposal can be accommodated right there and we will also put fresh water out at Auke Bay so the vessels can take on fresh water out there instead of coming in to downtown. Last winter, for example, the Columbia which has to take on water very, very often because she has a small water holding capacity and she has a tremendous requirement in her usage, this would give her water at a safer and at a more stable dock facility there.

Malone: Would it impact downtown?

Hudson: No. We could continue to schedule the same number of vessels into downtown terminal as we have in the past with or without this thing. We feel as though we have to have a large staging area, one or the other. We know that we have to continue our operation out at Auke Bay -- its just our particular design to do it where we got our own property, as opposed to city property. Ultimately, Mr. Chairman, I believe this system will probably have to eliminate the downtown terminal and operate totally out at Auke Bay. Now that's not very popular in this area here, but it would certainly be much more economical and we would like to do an economic study on that to determine just how much more economical. But disregarding that, this is still a good move.

Malone: Well, it's hard to take your statement on the economics at face value when you say you haven't done the economic study yet.

Hudson: Well, we have done some rough ones, but we haven't done a precise study.

Malone: One question: this fresh water facility that you would put at Auke Bay. Would this also be available to the public, to other craft beside the ferries?

Hudson: Well, we haven't permitted any other craft to use our facility. Other than an emergency.

Malone: As a matter of fact, we have people who have asked me about that.

Hudson: Small boats you mean?

Malone: Yes.

Hudson: I don't see why we couldn't make some additional facilities available as long as there wasn't some additional

cost or we didn't have to man the thing. We'd have to be cautious, I think, Hugh, that we didn't have the general public coming in opening it up; we did this in the Coast Guard, as a matter of fact, the public comes alongside your dock, opens up your water, doesn't seal it and she all freezes up and bursts and then you got a problem, too. But we'd like to work something out on that.

We also had a request from eagle watchers and the whale counters to develop an observation tower at one section of the dock there so that it could become a public attraction where the public could come out and park and count the whales. I understand that's one of the finest eagle rookeries or whatever you call them, back over in the bay there, the largest population in Southeast Alaska, except for the population in the Haines area. And there is also more hump back whales than there is anywhere else in Alaskan waters. So we have had a request to incorporate that into our design when we build our second dock and expand our stage area.

Malone: When I was talking about water out there, I didn't think that it is something we would provide -- require the same type of facility as the ships of the ferry system -- but just a place where people could go and get some water.

Hudson: I think we could do that.

Malone: Even if they had to pack it.

Hudson: We'd be perfectly willing to incorporate anything. Again, that depends whether it will cost us another man, that it would have the right safeguards.

Hogan: I am curious, Mr. Chairman, are you sure you can get sufficient water out there? As a former resident of Auke Bay I know the water problems that exist in the area.

Hudson: I got a man that tells me "yes, indeed we can", that we have one of the finest water sources in the whole area out there and he knows exactly where it is at.

Hogan: High bottom?

Hudson: Yes.

Hogan: Good luck.

Haugen: Well, I wouldn't put it in unless I was sure.

Hudson: Well, this all requires preliminary engineering and design.

Haugen: Just a last couple comments: they can pay for this by god, if they want to. I can argue all day long about where the eagles are and where the whales are. You can find your own place; if they want to pay for it, let them pay for it.

But anyway, number one, I was on the highway commission before statehood and we had a study done by Gilman & Associates and one engineer here in town who has done a lot of work for us and at that time, Gilman and the local engineer, they decided on that site out at Auke Bay. And it was done for lots of reasons. As far as I am concerned, one terminal is enough. I realize it's a long way out but every ferry terminal in Southeast is right out of the downtown area. And the problems you talked about are very real. But there has been a study on the operation of the Marine Highway System, and it's the old Gilman study, and it's still the best one, and it was because the main line vessels were never intended to run into Sitka and that's the reason they chose the other site. The future plan was to go to Sitka and that's the best place to get the best turn-around time and the most expeditious schedule. And in those days we didn't run to Seattle.

I was at the public hearing downtown the other night and really, when you analyze what was said down there, there wasn't any real hangup about this. Certainly the downtown area will never be adequate at its present condition, the kind of traffic you get. Too, the second LeConte, serving Sitka on a regular basis, it was never intended. The dock has been condemned, and you are not getting the use you originally had. The staging area certainly is not adequate, and there is some economics too, money and time and time is really expensive item in this business. I understand what your problems are pretty well and there's a lot of politics in this business and most your major business are moving out to the valley right now; so you haven't got a transfer problem you would and you get a hell of a lot of vans. We are just going to have to make a move as far as I am concerned.

You were mentioning a little while ago about revenues. I believe that the Marine Highway System could do a selling job on this Eagle Crest out here. So that you can load a ship that leaves out of Seattle. There's no question in my mind it would be a hell of an economic boon for Juneau. In that case, maybe the downtown terminal would be satisfactory.

Hudson: Perhaps in that case it would be the thing that you would want, turnaround type of thing.

Haugen: I tell you I think revenues will show that the Seattle to Juneau, you have a pretty good revenue catcher; that when you spin off from that point, that's when you start to ease the pocketbook. I think this Eagle Crest thing ought to be exploited by the Marine Highway System.

Hudson: That's a definite thing we are going to have to look into -- more promotion in the system. I don't think the system is promoted enough.

Malone: I had a couple other questions I want to get to: first, what's the status for the proposal for a terminal at Bellingham?

Hudson: We have hired a consultant to make an economic facility study. The study was to be handed to my office on the first of March and in all realism I don't expect to have it at that time; he bit off an awful lot more than he could chew at that short a time. But as soon as we get that economic study I will evaluate it and make recommendations to the commissioner and I presume that the commissioner would take it to the administration and the legislature with whatever that study showed up. My own personal observations are that it's a legitimate study, one we would be remiss in not doing. I think that some of the opposition in the future that Bellingham might present to us might mean big money to the state of Alaska and other continued operation of the Marine Highway, such things as the rapid turnaround and express type of operation. I have concern about the amount of space in the existing Seattle terminal and when they add the dome stadium to it I think we are going to have parking and staging problems like we don't have right now.

Malone: What I am trying to figure out is the status of the thing at Bellingham right now. You got a stu under way, okay. We had a couple of people in here last week from Bellingham, John Glenn and Gillespie and they said they had a proposed lease contract in their brief cases and they were going to talk to you about it.

Hudson: I have it.

Malone: And so that's why I was asking a question: if you are on the verge of signing a lease.

Hudson: No. We are not on the verge of signing a lease but we have to have the information on what the cots are going to be in order to continue the economic feasibility study. Information they gave me will be turned over to the consultant.

Malone: Okay. One other question on that, the port steward, Mr. Kleininburg. To your knowledge, does he have any financial interest in Bellingham district himself? That would be a conflict of interest?

Hudson: I heard that he has along with many other rumors but in my knowledge, and I am not asking directly but indirectly from one of my lieutenants, Captain Bendixen, who asked him that question, and he said, "no," that before Bellingham became an issue he had an opportunity to pick up a piece of property and at a very good price for speculation and he turned it down. That's all I can tell you, Mr. Chairman.

Malone: If he did have a direct financial interest there, would you consider that a direct conflict of interest, or how would you resolve the situation like that. I realize it is hypothetical.

Hudson: I would really have to check with the Attorney General's office and find out what the legal ramifications would be. I would be very disappointed if I thought that Mr. Kleininburg was using the privileged knowledge to speculate and used it to his advantage.

Malone: I don't think it's a violation of the law.

Hudson: Ethically speaking, I would look very harshly at it, Mr. Chairman.

Malone: I heard the same rumor and I'd like to see some way to clear it up because on the one hand, it's not fair to Mr. Kleininburg and the Division, and if it's true -- In the last three weeks there has been an inferred charge that Mr. Kleininburg was dispensing state owned and procured meats and other commodities at a trailer court in Sweitzer Village and I received a telephone call at home to that effect and my response was "call the police". If the man is doing anything illegal he should be locked up. I understand an investigation was held and everything the man had, he bought and had receipts for. I don't think Mr. Kleininburg is a thief. I don't think he is a scoundrel. I think he is a European who has the best interests of the state of Alaska in mind and unfortunately this has created a great deal of discontent, because he has taken a very hard line approach in his dealing with personnel.

I also heard that he had the property and I'll check that out and solve that one way or another. If he does, I am sure Commissioner Harris and I will say something about that. I know Commissioner Harris' feelings are that if he has extended himself to that extent that he is doing it on his own, totally and it extends the possibility of his being out there all alone without a job.

Malone: I don't think we have resolved these questions. I don't think there is any objections in them at all -- I am not saying there is.

Hudson: I don't think the man has done one thing wrong.

Malone: It has also been my observation, Bill, that from little experience, and it has been little in the conduct of public business, that sometimes where there's smoke, there's fire so if it warrants ----- the other question: Ernie, you may have covered it when I was talking to Bill Parker, on another issue. You had some suggestions on scheduling ships. Shuttle services.

Haugen: About the Sitka run. You can actually get a trip a week more out of each vessel by avoiding the Sitka run. Number one, in the Gilman Report they specifically said "If you are going to run a miniline service between Rupert and Skagway, you cannot lose the time that it would take to run

those main line vessels into Sitka. Now Wrangell Narrows, everybody says, is a problem. And if it is to a certain extent, you got to use your head when going through there, it isn't like running up Chatham -- but Sitka was to be served with a smaller type vessel and after the main line ship, that could be your first priority because Sitka deserves to be part of the Marine Highway System because of the size of the community. And the thinking was, it was all agreed, to wait. But they didn't like the wait. Senator Bradshaw and I put a deal together; they had been screaming for a main line airport all these years, and we got the airport there to get them off our backs. Then Bill Egan told the people we would run the main line vessels in there so there they are, in spite of everything. If they had been patient, it would have taken its course and we would have been in there with LeConte long ago. I believe the time you save on the main line vessel you could still go to Skagway. (States belief in service to all Southeast communities. Discusses workmanship on the LeConte compared to Columbia.) "You'd think a bunch of kids built the Columbia."

Hogan: I have a pet discussion along this line. We got a state fleet of 100 million dollars, and we have a capital budget that's coming in for 18 million for the Division of Marine Transportation but we still do not, nor do we have requested, any in-house, high level, technical expertise in the design and construction of ships. This is something that the Budget & Audit Committee looked into at the time of the Columbia appropriation or launching, and placing into service, and in two instances which I personally researched myself, I came away convinced that contractual arrangement we have with the firm of Nickerson-Spaulling Seattle, was unsatisfactory when it came to protecting the state's interests. In two particular instances, in the case of the bow thruster on the Columbia and in the case of propellor diameter selection. Choices were made which were not in the original design. They were not in the best interests of the state and no one stood up for the state. No one fought it tooth and nail.

To me, it seems inconceivable that the State of Alaska, with the largest passenger fleet under the U.S. flag, does not have, does not plan to have, this kind of technical expertise in house. This is what the Budget & Audit Committee came to feel was an essential item at that time.

Now, it was not submitted in the budget for last year under the assumption that we were not going to do any more ship building. But right now, we are immediately confronted with a ten to twelve million dollar item and extensive ship renovation. This is precisely where you need this kind of an in-house expertise, or ought to consider at least adding this kind of in-house expertise to prevent another rotten bow thruster problem, another ruined prow problem because somebody wants to experiment with a new prow on our ship. That was the problem with the Columbia. We got some new design in propellers and they thought they would use Alaska's flag ship to try

it out and we got the first model bow thruster from Allison-Chalmers, same thing. And a couple of other things like that, none of which panned out very well.

Hudson: It's my understanding that in a couple years we had rather recurringly suggested that our staff include a naval architect to protect the Division in the respect and this year's budget, which is my first budget, does not include that simply because the instructions that I had were that we were not going to increase any positions and additionally because of the understanding that we had expected that the Department of Transportation would very likely become a reality and the feeling was that the divisions would be the planning and operations, the management of the system, and conceivably this design and construction would be in another area, but it would include somebody with a naval architectural background, to protect the state's interests. I think you are right. I think we have just way the hell out and gone in left field because we don't have the expertise in house to even read accurately the plans that somebody else has designed for us that ultimately come back to financially haunt us.

Mr. Chairman, may I ask Jay a question? Jay, you were pretty close to that fellow that Audit hired out of San Diego; and that was the recommendation. Of course, I concur with it. But in your personal conversation you must have had some allusion -- let me put it this way -- you were fully satisfied that this fellow did as good a job that the Audit Committee would "allow" him to do at that particular time? (Off the record answer).

No further recording was made of this particular meeting. Adjournment came at 5:30. The tape read #3137. Chairman Malone adjourned the meeting.

mb

JAN 21 1976

Honorable William Ray
Senate Finance Committee

Honorable Hugh Malone
House Finance Committee

Gentlemen:

We, the undersigned submit this document to protest the "false economy" expenditures currently underway on the M/V MALASPINA.

We would like management to consider the years of experience that the licensed officers have earned. We deal with the public daily and we have learned what the public wants and needs for a smooth and more pleasant trip for all of us. We are all proud of and loyal to our transportation system, therefore, we feel obligated and duty bound to express feelings, objections and views and to make them public if needed.

Basically, the purpose of the Marine Highway System is to serve the public, not to be a monument to one man's ego. Further, each and every time there is a new temporary Port Steward he is virtually allowed to run rampant with a blank check. Immediately many changes occur, they seem to be bound to outdo their predecessors, sometimes to the extent of reckless thinking and spending. The office files showing their expenditures on galley changes, memos and personnel changes will show this to be a fact. The latest change, to the tune of approximately \$300,000.00 is to convert the fine dining rooms on the Malaspina and Columbia to a fast food line, similar to what was already attempted and changed on the Malaspina class vessels in 1963. Foolish? Reckless? Yet, on December 29th an experienced sailor lost three-fourths of his thumb while heaving the Columbia into the Skagway Terminal. The accident happened because of undersized warping heads on the anchor windlass. We could not afford \$22,000 for larger, safer drums.

The above is just the latest accident. We have consistently requested that funds be channeled into expenditures which we all know are necessary for proper maintenance and greater safety to the vessel and our passengers.

Here are a few of the absolutely vital safety items that we have listed time and again on our annual overhaul lists:

1. Anti-collision Radars on all ships.
2. Stabilizers for M/V Columbia and M/V Malaspina.
3. Anti-icing window washdown systems for Pilot House windows on all vessels.
4. Higher horsepower bowthruster for the Columbia and Taku.

5. Power capstands at springline stations on all vessels.
6. Console gyro repeaters for Taku and Malaspina.
7. Radar magnifier for Columbia.
8. Hospital facilities and properly trained personnel on all vessels.

And, as any mariner is fully aware of, this safety list could go on and on. For years as these items have been cancelled with the cry, "We have no money" we have more or less accepted that this was the way things were. But No More!

As taxpayers we are not so gullible as to believe that it is essential to change an existing Dining Room to a Cafeteria, especially when the existing Cafeteria and Dining Room are well received by our passengers. We are outraged by this conversion because the facts and figures used to support this change are so obviously contrived. For example, with accounting the labor and food supplies for the Cafeteria are charged as expenses to the Dining Room. For example, the menu in the Cafeteria has too many selections and is in competition with the Dining Room; this is especially bad at breakfast. Lately, the closing of the Dining Rooms on all vessels for breakfast and lunch has caused many people to state that they are making their last trip with the ferry system. We feel that the way to reduce the amount of the subsidy is to increase passenger services in all areas, for a price. Encourage more traffic; we have the means, the knowledge and most important the desire to make this system work.

Finally, we must ask the question, How much is it going to cost to change the Cafeteria back to a Dining Room when the next temporary Port Steward comes along?

Perhaps what we, those who actually operate and assume direct, immediate responsibility as operating Masters, Mates and Engineers, are trying to say is that we need help. We not only feel we are Not getting it, we know we are Not getting it.

We know that there is enough "wrong thinking" to warrant an investigation into this matter.

We wish copies of these statements, opinions and pleas to go into each of the undersigned personal files.

cc: Commissioner, Department of Public Works
Director, Division of Marine Transportation
Port Steward
M.M. & P
M.E.B.A.
I.B.U.
Juneau Empire
Ketchikan Daily News
Anchorage Times
Fairbanks Miner
All Ships, Division of Marine Transportation

Sam T. [unclear] can [unclear]

[unclear] [unclear]

[unclear] [unclear]

[unclear] [unclear]

[unclear] [unclear]

J. W. Doran

James L. Sunde, Director

John K. [unclear]

Rennd E. Bevel ^{Chief} _{Eng.}

[unclear]

[unclear]

Capt. M. S. [unclear]

[unclear]

[unclear] ^{Col.} _[unclear]

Paul A. Johnson ^{512/16}

[unclear]

[unclear]

[unclear]

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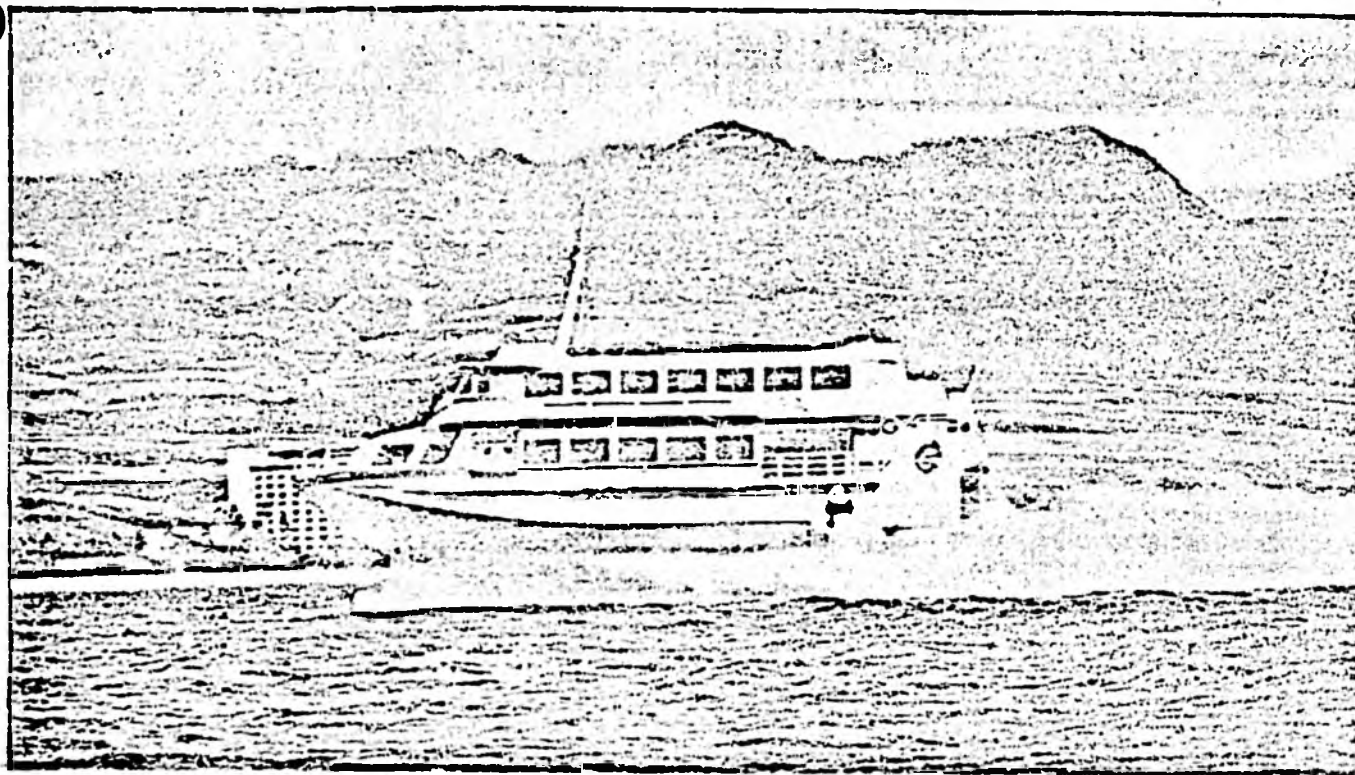
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(Christian Science Monitor Service photo)

INTER-ISLAND TRANSIT — A jetfoil skims along the coast of Hawaii in an experimental plan in transporting people

between the islands of the the "Paradise of the Pacific." The transit firm is planning to import an Alaska ferry.

Hawaii Transport Plan

Jetfoil Fleet Now Connects Islands

Christian Science Monitor Service

HONOLULU — Shaped like a Navy gunboat, the double-decked water-jet propelled hydrofoil skims the Hawaiian surf at about 40 knots.

A shoreline patrol for the islands? Not at all. Just the newest thing in inter-island rapid transit — and perhaps a forerunner of new kinds of commuter travel here and elsewhere.

After a 27-year moratorium on inter-island marine passenger traffic, a three-boat jetfoil fleet was launched last spring to carry visitors and locals between Honolulu, Maui, Kauai and Kailua-Kona.

This ride-the-waves service is the first of its kind to operate within the United States. However, similar hydrofoils are ferrying passengers between Hong Kong and Macao — less than an hour run. And hydrofoil service also runs from Messina to Italy, and Spain to North Africa.

Experiment for Future

Jetfoils are an experiment for their Boeing builders, Pacific Sea Transportation (PST) Ltd., and this island chain, which is exploring sea transit as a major people and goods mover for the 1980s.

E. Alvey Wright, director of Hawaii's state transportation department, sees the inter-island shuttle as part of an over-all water highway plan which will include state owned and oper-

ated ferries between Hawaiian ports, commuter skiffs serving downtown Honolulu and seaside residential communities on Oahu, and eventual cargo service direct from overseas ports to Honolulu and Hilo.

"The ferries are needed (in addition to smaller 190-passenger jetfoils) to increase population mobility between islands and to aid neighboring island farmers by improving access to Oahu markets," he explains.

Lease Alaska Boat

Next winter, Hawaii will lease a 1,000-passenger ferry boat from Alaska to test the acceptability of ferry service among Hawaiians. Alaska's marine highway system — which totes tourists, vehicles and residents from Prince Rupert to Skagway along the inland passage — is considered one of the most successful over-water carriers anywhere.

Meanwhile, the island-hopping jetfoils — which carry passengers only — soon will face a major hurdle. Will sufficient off-season tourist trade make it feasible to keep the ships afloat all year?

Francis T. Cooper, Seafite president, says his three-boat navy operated at full capacity during the peak tourist summer months. His promotional staff is pushing travel packages and charters for winter vacationers — particularly among Canadians and Japanese.

Guy Wright

Is San Francisco a sad-sack town?

Dec. 21, 1975 ☆ ☆ Section B Page 3
S.F. Sunday Examiner & Chronicle

Let's face it, San Francisco is a city that can't even tie its own shoes.

For at least 20 years we've known we couldn't go on forever dumping our sewage in the bay that belongs to everybody.

For the last seven years the heat has been on us to build a decent sewage plant. The feds are even willing to give us the money, usually a sure-fire catalyst.

But for seven years our sad-sack officials have fumbled and mumbled and grumbled and stumbled — and broken even their own record for doing nothing.

The other day the Water Quality Control Board read the riot act to the denizens of our Public Works Department, even threatening to ban construction in the city.

It was like pouring water on a duck's back. Or sewage on a wharf rat. They didn't even budge.

Wilson Riles came to town and told us our schools are an "embarrassment."

March Fong came to town and told us our election shenanigans make us a "national laughingstock."

Such barbs stir a few moments of squawking in the chicken coops at Civic Center, but nothing really changes.

In BART we have the most modern and most costly rapid transit system in the world. It is also the least rapid and least transit.

San Francisco can boast the most advanced and most expensive fleet of ferries afloat — in San Diego Bay, unfortunately, where they may become obsolete before the experts can get them to work right.

What city but San Francisco would entrust the building of a rapid transit system to a press agent? He regarded the job as a learning experience. When it was finished it didn't run, but by then he was qualified to seek work elsewhere as a consultant.

As his successor we naturally

chose a man who knew even less about rapid transit. But we made up for that by paying him a lot more money.

We also hired him an assistant, who doesn't know anything about rapid transit either. It wouldn't do to outshine the boss.

All this is in line with a brand new San Francisco tradition. When we needed a new city librarian, we hired a chap who had written a book. Then we sent him to library school on company time.

Once we had just about the best Muni in the country. It was fun to ride. Through diligent neglect, it now can't keep enough rattle-trap cars running to meet operating schedules. And the passengers are scared to death of each other.

Naturally, the new Muni shops were named for the man who presided over the Muni's collapse.

San Francisco was the first city in California to use voting

machines. Now we are back to paper ballots — because, we are told, 35 days between elections isn't enough time for the snail patrol at City Hall to get the machines ready for reuse.

Our city charter says quite clearly that members of the Board of Supervisors aren't eligible for "appointment to any full-time position" in city government. But at least three supervisors are angling for the job of chief administrative officer, which will soon be up for grabs.

So it was no trick at all to find an assistant city attorney willing to declare that the charter framers were worried about supervisors grabbing jobs as janitors and file clerks, but not sinecures in the executive suite.

I could go on — for instance, how does a thriving seaport just shrivel up and die? — but this is enough to make my point. Since it is evident that San Francisco is incompetent to govern itself, the City should be placed under a guardianship.

another Nickum SPAULDING project

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

MEMORANDUM

TO: Chairman and Members
Senate Finance Committee

DATE: January 20, 1976

Chairman and Members
House Finance Committee

FROM: J. H. Hogan, Director
Legislative Finance

SUBJ: Marine Transportation
Program Changes

Two recent revised programs approved by the Commissioner of Administration and the Governor have signaled a substantial change in the operating policy of the Division of Marine Transportation. RP's 76-112 and 76-174 have transferred funds from various capital and operating accounts to an account destined to convert the existing dining rooms on the Columbia and Malaspina to "cafeteria style facilities".

It is interesting to note that the Governor, with the stroke of his pen, has chosen to approve two RPs that will do away with existing dining facilities on the State's two largest ships. However, he has left to the Legislature the grizzly task of firing State employees. The Governor's budget suggests that the Legislature reduce crews on the two boats as follows¹:

Malaspina - to go

4 Cooks
8 Waiters (or all* of them)
2 or all of the Cocktail Waitresses

A Total of 14 positions dropped.

* Actually, not all of the waiters are to be fired. The Governor has requested the retention of 4 waiters to serve the crew.

¹ Pages 25 and 30 of the Budget Workbook, Transportation, Marine Transportation, Southeast Vessel Operations Budget, which is attached.

Columbia - to go

4 Cooks
10 Waiters (or all* Waiters for the Public)
4 Waitresses (the Budget does request the part time
efforts of 2 Waitresses)
2 Cashiers

A Total of 20 positions dropped

* The Budget for the Columbia also requests retention of
4 Waiters for the Crew.

As mentioned earlier, funds for the proposed cafeteria conversion have been transferred from several capital and operating accounts. Depleted capital appropriations are:

Replacement, Car Decks - Matanuska & Taku. \$500,000 was requested of and appropriated by the Legislature last year as a first priority item to correct "an unsafe condition due to extensive wear from studded tires and chains over the past 11 years". The decks were to have been replaced on the Matanuska during this winter's overhaul. As shown on the following chart, this appropriation was cut in half with \$250,000 being transferred to the cafeteria conversion account.

Dishwasher - Matanuska & Taku. \$50,000 was requested of and approved by the Legislature to replace "two 11 year old dishwashers" because "newer equipment is more efficient and subject to fewer maintenance problems. Present units are in need of frequent repair. Failure of such equipment during peak travel period would create a major problem." The dishwashers are apparently less troublesome than anticipated as the appropriation was slashed from \$50,000 to \$12,000 transferring \$38,000 to the cafeteria conversion account. *↑ left*

Engine Room Sound Proofing - Six Vessels. \$140,000 was requested of and appropriated by the Legislature to be "in compliance with an agreement signed with the Marine Engineers Beneficial Association. Noise levels on these ships presently do not meet Federal O.S.H.A. standards for safety." Some of the engine rooms are going to remain noisy as the authorization was slashed to \$98,000, freeing \$42,000 for transfer to the cafeteria conversion account.

The first attached page contains a summary of the reallocations approved by the Governor in the two RPs. (The RPs are also enclosed.)

RP 76-174 signed by the Governor on the 8th of January, 1976 transferred \$100,000 from the Southeast Vessel Operating Account (\$50,000 from Personal Services and \$50,000 from Commodities) to the cafeteria conversion account. This transfer is interesting in that it implies there are surplus amounts in the Southeast Vessel Operating Budget that would otherwise lapse at the end of the current fiscal year; but this is not the case. Page 2 of the Alaska Executive Budget, FY 1977, refers to a \$2,220,800 supplemental for Marine Transportation. The supplemental would provide "funding for cost of living increases for all employees of the Ferry System as well as funding for the FY 76 portion of the new contract signed with the I.B.U.. It does not include costs related to contracts with the Masters, Mates, and Pilots or the Marine Engineers Beneficial Association which have not been signed." Thus, the Marine Transportation FY 76 Operating Budget did not have \$100,000 to spare for additional capital projects, but was in fact short of funds by more than \$2.5 million.) 128

With the supplemental appropriation request in mind, it is difficult to understand the last sentence of RP 76-174 which transferred the "surplus" \$100,000 amount to the cafeteria conversion account. The last sentence reads "No additional State funds are required and your approval is recommended in accordance with AS 37.07.080(e)." [Emphasis added.]

Tape #: H 76-32

RECORDER LOG

Date: 2-23-76

Beg. #: 2757

3:15 p.m. -

End #: H 76-33 #0918

4:40 p.m.

General Subject: Revenue vs. Governor's Budget

Present: Reps. Burkhardt, Atta, Couper, Malone, Gueing,
Haugen, Guy, Duncan, Milk Barker, Fiscal Analyst,
Reg. Finance; Jim Rhode,

Log #	Description
2757	Malone -
2855	Barker - Cash available FY '76
2873	illiquid investments
2925	FY '77
2941	cash flow projections
2946	covering deficits
2949	Reserves
2969	Haugen - when pipeline on stream -
2980	Malone - FY '77 projected revenues
2993	Barker -
3009	Rhode -
3044	FY '77
3074	Malone - What is our deficit in FY '77 in terms
3099	of income & receipts
3105	What are we expected to do to balance
3126	The budget
3136	Barker - beginning general fund balance
3146	Malone - HB 583,
3153	Bill setting levy on reserves (Couper)
3146	Setting of assessed values.
3153	1 mil = \$12 million



- 3168 Increased severance tax
- 3195 Budget isn't predicated on small taxes
- 3210 How governor arrived at figure
- 3220 Haugr - increase is basically overhead figure.
- 3244 Malone - projected revenues ^a ~~730~~ ~~1111~~ ~~1111~~
- 3263 How will excess be spent (~~2116~~)
- 3269 Rhode - 7% for all supplementals (5-6%)
- ~~3300~~ Malone -
- 3310 Malone - \$15 million for new programs, part of budget
- 3340 Malone - target figure
- 3350 Guering - how do we know what revenues will be.
- 3370 Malone - how will next legislature fund supplementals
- 3386 Haugr - revenue projection - income tax '77 (Barker response)

Change tape #76-33

- 0001 Leg. with fiscal impact (Malone)
- 0088 Guering - longevity bonus
- 0137 Malone - additions to list
- 0185 Duman - SB 222
- 0228 Malone - SB 491 - governor's new programs cost in addition to budget.

Tape #: H76-33

RECORDER LOG

Date: 2-23-76

Beg. #: _____

(2)

End #: _____

General Subject: Revenues vs. Budget

Present: _____

Log #	Description
0307	Malone - new programs
0366	Haugen - money appropriated for '76 that's still on books
0410	Malone - last year's employees requested vs. # granted
0465	Budget & Audit employees
0480	Haugen - request for; where are employees positions approved last year
0508	Haugen - concern for fiscal '78
0592	Cowper - monitor delays - Revenue Committee
0611	Haugen - inflation - new employees
0624	Malone - inflation rate - annualized (Rhode) 14% -
0667	Haugen - merit increase
0683	Cowper - reasons for high inflation rate (Rhode) U of A attempts to explain
0752	Malone - budget levels FY '77
0772	new positions
0799	Malone - average cost of new position (Baker)
0830	Haugen - can't look at new position cost for one year only.



- 0853 *Guening* - hold employe growth to zero.
0897 *Cowper* - extra legislative employes
0918 meeting adjourned at 4:40.

CORRECTION

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

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- 0853 Guening - hold employe growth to zero.
0897 Cowper - extra legislative employes
0918 meeting adjourned at 4:40.

GENERAL FUNDCASH AVAILABLE FOR EXPENDITURES

Cash Available 6/30/75		\$408.1
Illiquid Investments		<u>228.2</u>
Cash Available for Expenditure 6/30/75		\$179.9
FY 76 Operations thru 6/29/76		
Revenues	364.2	
Appropriations	(620.0)	
Change in Illiquid Investments	<u>23.3</u>	(232.5)
Cash Available for Expenditure 6/29/76		(52.6)
Reserves & Pipeline Tax - Collect 6/30/76		<u>282.1</u>
Cash Available for Expenditure 6/30/76		229.5
FY 77 Operations thru 6/29/77		
Revenues	351.3	
Appropriations	(700.0)	
Change in Illiquid Investments	<u>(60.0)</u>	(408.7)
Cash Available for Expenditure 6/29/77		(179.2)
Reserves & Pipeline Tax - Collect 6/30/77		<u>381.0</u>
Cash Available for Expenditure 6/30/77		201.8

HOUSE FINANCE COMMITTEE
February 25, 1976
8:30 p.m.

Chairman Malone called the meeting to order with all members PRESENT present except Rep. Itta. Justin Swift and Ellison Farrel of APEA, Bill Woolf of Alaska Public Broadcasting, Palmer McCarter, director of the Division of Local Government Assistance and budget analyst Alison Farnan were also present.

Before the committee were HB 738, SB 222, HB 198, HB 687 and SB 476. HB 738, supplemental appropriation to the department of law for miscellaneous court costs was brought up. The committee perused their newly received backup material noting there would be a change in the amount on the prepared fiscal note. Based on the newly received memo of 1/23/76 from the department of law to Kent Dawson, which included a new and extra item, the case of Stevens v. McGinnis, there would be an additional \$12,800 plus interest charges of \$1626, making a total of \$14,468 on that item. Total appropriation then would be changed to \$37,632.50 for the five cases. (See bill file.)

HB 738

ADDED ITEM

DO PASS

Rep. Haugen moved the bill be reported out with unanimous consent. Hearing no objection the motion was adopted.

HB 198 and SB 222 were put over to the afternoon meeting when the director of the division of retirement could be there.

HB 687, state aid to unified government, was presented by Rep. Cotten, chairman of the House Community & Regional Affairs committee, whose bill it was.

HB 687

The wording of the bill was intended to encourage unification. There was a zero-fiscal note.

Palmer McCarter said the language on the books is different from that in the bill. It would hold the local government harmless during the first year of unification in the bill. As of now, under existing regulations there was to be a pro-rationing of funds from which you (as a borough) could thereby lose money.

EXPLAINED

McCarter said their department, together with the department of law encourage the committee to pass the bill so they will not need to continue operating under decisions from the attorney general, which could change depending on who is there. The statute will clarify just where the payment is coming from.

He added they will go ahead this year and pay Anchorage for their unification but this bill will create a process whereby other boroughs which unify may receive financial assistance out of state revenue sharing funds their first year. This will clear it up.

CLARIFICATION
TO FUNDING
SOURCE

Chairman Malone asked if the \$286,000 in the fiscal note referred to sufficient enough funds in the revenue sharing to make the payment and McCarter replied that was correct.

Malone then commented that was why the fiscal note states "zero".

Rep. Gruening moved and asked unanimous consent to report out HB 687. Hearing no objection, the motion was adopted with a majority "do pass". DO PASS

SB 476 was rescheduled because the chairman, although contacting the sponsors about the changes, had not given them time enough to review them. Cowper commented that the previous evening, a Ms. Swanson, who had something to do with this program, said she thought it would be impossible to police the thing. She and Cowper thought that there would be a "bunch of elderly people in Palm Springs" living off their longevity bonus money on the excuse they were remaining longer for medical help. It created a loophole. POSSIBLE LOOPHOLE SB 476

Chairman Malone answered that the state tries not to run up its administration costs, therefore keeps the process of these claims simple.

The meeting was adjourned and a new one announced for 1:00 p.m. ADJOURNMENT

Tape H76-33
Beg. 2109
End 2380

HOUSE FINANCE COMMITTEE
Wednesday, February 25, 1976
1:35 p.m.

All members were present except Reps. Itta and Haugen. Bob Gates, Director, Division of Retirement; Roger Harmon, Dept. of Labor; and Gerald Post, U.S. Bureau of the Census, were also present.

PRESENT

Chairman Malone outlined the agenda for the day-- HB 198, SB 222, presentation by Gerald Post, and discussion of Article 3 of HB 574.

Chairman Malone asked Rep. Duncan, who had been assigned HB 198, to give his recommendation on the bill. Rep. Duncan recommended that HB 198 and SB 222 be reported out. Mr. Gates said there was a revised fiscal note for HB 36 and SB 222 which was handed to Rep. Duncan.

HB 198, SB 222

Rep. Duncan moved to adopt the committee substitute for HB 198 incorporating the changes in the date. There was no objection, so the motion was adopted. The committee report was circulated with the majority signing "do pass" recommendation. So, the committee substitute for HB 198 was reported out with a "do pass" recommendation.

CS HB 198
DO PASS REC

Rep. Duncan recommended that SB 222 be reported out as written. Chairman Malone said the point had been raised by Mr. Gates that it was difficult to make calculations of the fiscal impact of legislation the way the bill is written. If a firm calculation was to be made, it should be limited to people employed at this time or retired. Mr. Gates said that the fiscal note dated yesterday had a contribution rate impact of .46. There were 108 individuals on the fiscal note dated January 2 which developed a rate of .31.

SB 222

Chairman Malone said the total fiscal impact would be \$830,000 a year. \$660,000 would be general fund. It assumes a payroll of \$180,000 and increases in payroll at 6% per annum which results in increases in the state contribution rate to .46.

Mr. Gates said it was better to leave the language unrestricted. There are problems with restricting it. Unless it is done separately by section then you are restricting all other classifications. This could be a problem in the future. Rep. Duncan explained that

the reason he recommended reporting out SB 222 the way it is is that putting restrictive language in is much different than we have done in the past.

Chairman Malone said he had been contacted by Fish and Wildlife and they wanted to be included. There are six people with 20+ years of service. Mr. Gates said that if the assumptions are correct in that these people have the same characteristics there would be an additional cost of .15. Mr. Gates said that the increase in benefits would be .03 X \$180,000 or \$54,000.

FISH & WILDLIFE

Rep. Duncan moved to report SB 222 out of committee. Chairman Malone amended the motion to include employees of the U.S. Fish and Wildlife Service. Rep. Gruening asked what the figure would be for including Fish and Wildlife. Chairman Malone said it could only be estimated at between \$54,000 and \$60,000, increasing 6% per annum. There was no objection to the amended motion, so it was adopted. So, SB 222 was amended to include U.S. Fish and Wildlife employees and was reported out of committee with a "do pass" recommendation.

SB 222 am
DO PASS REC

Chairman Malone asked for a revised fiscal note. Mr. Gates said that with unrestricted language the figure would now be .49 instead of .46.

Roger Harmon, Comptroller, Employment Security Division, Dept. of Labor, introduced Gerald Post, Assistant Chief of the demographic census staff. They were present to comment on HB 739.

HB 739

Mr. Post asked that his presence at the meeting not be construed as lobbying for or being opposed to the census. As far as the procedure is concerned, the Bureau has to receive a firm commitment no later than March 15 in order to proceed by September 1. The deadline has been extended from March 1. Normally a lead time of six months is required. There is an enormous amount of preparatory work to be done.

Mr. Post continued, the state has deposited a payment of \$25,000. A schedule has been established for the remainder. The next payment was due on March 1 but that has been extended to March 15. The remaining payments will be due on July 1 and September 1. Once the commitment is received, preparatory work will begin. Once August rolls around we will be setting up four offices in the state. The Seattle office provides

PAYMENT
SCHEDULE

supervisors for that operation. They will recruit qualified candidates. It is expected that 800-900 people will be hired in the state. The census should be completed by the end of September and the results would be available to the state by February of 1977. The total cost is \$750,000. \$100,000 goes to the Bureau and \$650,000 remains in the state.

TIMETABLE

Rep. Cowper said it was his understanding that no other state has requested a special census. Mr. Post agreed with this. Rep. Cowper said it was also his understanding that certain municipalities in other states like Arizona have requested a special census. Mr. Post said this was also correct. Rep. Cowper asked what the purpose of a municipality conducting a special census would be. Mr. Post explained that the reason would be to get an up to date head count. This helps several programs including state revenue sharing programs. Rep. Cowper asked if special census of municipalities counted for federal revenue sharing dollars. Mr. Post said that every two years the Bureau prepares estimates of population. Similar estimates are currently being prepared for '75. If a municipality contracts for a special census, those results are used in the estimating formula. For example, if the state of Alaska contracts to take a census as of September 1, we will have prepared a state estimate for Alaska for July 1, 1976. We will take the results of the state census and re-estimate for July based on the final results obtained for September 1. So, the results are used in federal revenue sharing.

REASONS FOR
MUNICIPALITY
REQUEST FOR
CENSUS

Rep. Cowper asked if it was a practice for municipalities that had grown a good deal to come to the Census Bureau and request a special census and request that those figures be counted for federal revenue sharing. Mr. Post said that in virtually every state in the country the results of local census are not only recognized by federal government but by state government as well.

Rep. Cowper asked about the cost of doing a census for a city of 50,000-60,000. Mr. Post said there was a fixed fee schedule for cities under 50,000. It ranges from a small city of 1,000 for \$4,000, most of which stays in the municipality. For 50,000 the cost would be \$100,000. It works out to roughly \$2 per person. Rep. Gruening asked if the same rate schedule held true for over 50,000. Mr. Post answered that there was no fixed fee, the cost was based on other factors. Rep. Gruening asked if the \$2 figure would give a reasonable

CENSUS COST

idea of cost. Mr. Post said it would.

Rep. Gruening asked why the original estimate had been \$405,000 and then it was changed to \$750,000. Mr. Post explained that that estimate had been based on some wrong assumptions. It was based on a smaller population. It was also based on a lower pay scale.

ORIGINAL
ESTIMATE

Rep. Gruening asked if the population centers of the state contracted for a census, wouldn't the state total be changed based on these figures. Mr. Post said the policy was to change the state figure only for an overall state census.

Chairman Malone asked about the basic census package vs. cross referencing and tabulation. Mr. Post said that the basic census package is a straight head count with small areas in which enumeration is done. The basic tabulation calls for cross tabulation of age, race, and sex. There is some detail on numbers of households vacant and occupied. In addition there are some options open to ask additional kinds of inquiries.

BASIC CENSUS
PACKAGE

Mr. Post said that at the meeting in Anchorage income was mentioned as an additional inquiry. It was decided that income would not be a viable type of statistic to collect. The consensus was that we should ask a question on migration that would try to determine influx of people into the state during three different time periods. A second inquiry would expand our current race information to include Eskimoes, Aleuts, and Indians. That would cost about \$35,000-\$40,000 for these two additional items.

ADDITIONAL
QUESTIONS

Chairman Malone asked what it would cost to include income data. Mr. Post said he couldn't estimate that at the moment. Many houses could not respond to the questions immediately and there would be many call backs required. Asking for income information might limit the other information that was given.

INCLUSION OF
INCOME DATA

Rep. Gruening and Mr. Post discussed disclosure.

Rep. Duncan said there was other information he would like. He asked for a list of the municipalities that are requesting a census and a list of the ones that have had this done in the past.

Rep. Gruening asked if there were any municipality officials at the Anchorage meeting. Mr. Harmon said there were 42 people signed up representing Anchorage, Fairbanks, Seward, Homer, Barrow, Adak, and many people from the outlying areas that spoke for their communities. The work groups at the meeting decided that there were two questions they wanted unanimously. One was migration-- persons coming into the state and length of time they were here. The other question pertained to racial breakdown. If a complete breakdown wasn't possible, they at least wanted it broken down to Alaska native.

ANCHORAGE
MEETING

Mr. Harmon said the municipalities and regional corporations were pitching in to help by providing space considerations.

Rep. Itta asked who sponsored the seminar. Mr. Harmon responded that it was a joint decision by Kent Dawson, Bob Weedon, and himself.

Rep. Buchholdt asked if the native organizations had offered any free services. Mr. Harmon said that native organizations and municipalities were contacted last November. They gave a positive response to providing room. AFN was looked at as a means of finding enumerators.

NATIVE
ORGANIZATIONS

Rep. Guy asked if since the natives would be lumped together, would some of the people not be broken down according to smaller groups. Mr. Harmon responded that they would be broken down into three groups. The consensus was that three was enough.

BREAKDOWN
OF "NATIVE"

Rep. Guy asked if the census figures would be broken out so that it would be possible to see the number of people in one particular village. Mr. Harmon said they would. Mr. Post said that the Bureau would recognize with a special census any place that incorporates up to 90 days before the census. Mr. Post said that villages would be included if they had 25 people. In other states only incorporated cities are published, but Alaska is different.

VILLAGE
CENSUS FIGURES

Chairman Malone thanked Mr. Post and Mr. Harmon for attending the meeting. He said the next item on the agenda would be HB 574. Larry Eppenbach, Deputy Commissioner of Treasury, Dept. of Revenue, joined the meeting to comment on the bill. (Tape changed to #H76-34)

HB 574

Mr. Eppenbach said this bill places the liability on the Commissioner of Revenue to purchase notes and security agreements up to an amount of \$5,000,000. It is impossible

to assess how likely that would be. He would have no choice but to purchase them. It would amount to a \$5,000,000 appropriation because there is no forecast of any surpluses existing in the next year to allow the commissioner to purchase security instruments. I presume he would have to borrow the \$5,000,000 through revenue anticipation notes. It is a difficult time to have to do that because of the recent experiences in New York. I have a strong public position against indirect appropriations. I think it would be better to appropriate directly.

Rep. Cowper asked if there was an estimate on what they would need for reserve. I heard \$4,000,000. Mr. Eppenbach said that no thoughtful assessment has been given.

Mr. Eppenbach said that the Commissioner of Economic Development had asked about this measure and the response he was given is that the only reasonable method of funding would be to directly appropriate a balance in a reserve fund. In addition to that there was discussion of language that could be used if another alternative was found to be absolutely necessary. No position was taken by the Dept. of Revenue other than one suggesting that funds must be appropriated directly.

Chairman Malone said there was no honest way of predicting if the fund would be tapped and at what level. Mr. Eppenbach said that in order to give such a reserve fund value it has to be funded on the assumption that it will be tapped. If it is not properly funded it will not be successful as a reserve fund. The present forecast of cash flow does not suggest that cash would be available.

Chairman Malone asked Mr. Eppenbach to write out his comments on the concept of using mechanism of a loan and if it is used what the practical effect would be. Mr. Eppenbach said he had recently written the Commissioner of Revenue about various loan programs in general. It essentially said that the financial consequences of back door financing will run into problems. Chairman Malone asked for a copy of that memo plus a brief statement on HB 574.

Mr. Eppenbach left the meeting at 3:10. Rep. Haugen joined the meeting at 3:10.

Chairman Malone said the question really was how much of the \$5,000,000 would be required. According to information reviewed by the House Judiciary Committee, the likelihood of having to tap the fund for any large amount is probably pretty small. However, we will be in a situation of negative cash flow in the latter part of '77.

LIKELIHOOD
OF TAPPING
FUND

Rep. Cowper said it seemed to him that it might be better to have a loan program than to make an appropriation. Chairman Malone said a loan would be a continuing appropriation that would allow them to draw to a maximum. It does not commit the general fund. Rep. Cowper asked if it would be more practical to amend this so that the borrowing authority only lasts until FY 79 in which case an appropriation could be made at that time and let them have their reserve. Chairman Malone said the corporation has the authority to build a reserve of its own. Rep. Cowper said it would take them quite a while to build up a \$5,000,000 reserve.

LOAN PROGRAM
VS. APPROP

There was no further business, so the meeting was adjourned at 3:45 p.m.

Tape H76-33
Beg. 2380
End Tape H76-34 0808

HOUSE FINANCE COMMITTEE
Thursday, February 26, 1976
8:30 a. m.

Chairman Malone called the meeting to order with all members present excepting Rep. Itta. Joe LaRocca and Milt Barker also were present.

The concepts in SB 476 and HB 119, both relating to changing certain parts of the longevity bonus statute were up for the agenda.

SB 476 am

HB 119

Beginning with SB 476, the chairman averred to a letter from the Department of Administration, which suggested changes from their point of view. However, the chairman did not favor those suggestions since he wanted to keep administration costs down so money would go to people and not to bureaucracy.

LONGEVITY
BONUS

Rep. Cowper said he had talked with Red Swanson, administrator of this longevity payment program, and he had expressed the same opinion Cowper expressed earlier regarding abuse of use of the period of time a recipient may be out of state on medical checkup. The administrator also thought that some citizens were simply going to Palm Springs with a doctor's note stating the sun was good for them.

Rep. Duncan questioned the assumption in the above argument, that doctors were basically dishonest. Cowper still felt it was common practise and thought the bill needed tightening in this regard.

Rep. Haugen, on the other hand, presented the problem of the little old lady from Petersburg who could ill afford not to receive her \$100 bonus check when she was kept a longer period in Seattle by her doctor to try a different medication. She was gone 32 1/2 days, beyond the 30-day period stipulated by law, and received no check that month.

HAUGEN and
THE-OLD-LADY
PETERSBURG'S
PROBLEM

Senator Kertulla entered and explained his views on SB 476, originally sponsored by Fergeson, Croft and himself, and followed this bill's development through to the present position. At this point, the SB was ammended and would provide for an increase in the amount of monthly Longevity Bonus payments of \$125.

SEN. KERTULLA

CS House Bill 119, An Act providing that absence from the state for medical reasons shall not be considered in computation of longevity bonus; and providing for an effective date, was returned to for further discussion.

ABSENCE
LENGTH

Cowper placed a motion and asked unanimous consent to ammend the proposed committee substitute CSSB 476, Sec. His motion would carry the intent of leaving out the COLA increase. Chairman Malone objected, stating he thought persons over 65 years of age are not high livers, that they may go out for a climate change, but that abuses could lead to a dissolution of trust and future legislature could take care of the problem; that oldsters know that and would not "screw up their own deal".

Senator Kertulla responded to that. He said he knew the people throughout the state and by and large they would not abuse the use of the longevity bonus payments. With added constraints put into this bill it would just add to the paper work and take up fifty percent of the budget. Cowper put in a question, if they were examining one slip, why couldn't they examine two?

POSSIBLE
ABUSES

As an answer to this, Kertulla summed up the concept of Hillstrand, Butrovich and Ray who thought that that the bill should be kept simple using the ammendment done on the Senate side. He could go along with the motion of Cowper's for an ammended Section 2, but would not add paper work to it. He said the other senators (mentioned) would not go for it. Cowper thought that in theory, the purpose of the ammendment would be that rich people get one treatment, poor people another. Haugen reminded the committee of the poor person in Petersburg who didn't get her check. Kertulla stressed that the balance goes on the side of simplicity, and towards a philosophy of acceptance.

Regarding his own motion, Cowper suggested maybe the committee should take up HB 119 separately. (Senator John Eutrovich entered.)

Chairman Malone said he was going to drop back to the basic version of HB 119, and send out the a committee subsitute for the Senate bill after the committee hears and decides on the severability aspect of the current legislation. (See Jerry Williams' memorandum in the bill file.)

SEPARATING
THE TWO
BILLS

After explaining the cause and effect of this section of the statutes, and hearing Naughton's opinion that the state is now into a balloon situation with eligible bonus recipients as a result of WW II and Korean War veterans remaining in the state, Chairman Malone made a mction and asked unanimous consent to report out a House Committee Subsitute for SB 476 am to include Sec. 2, an action to effectively repeal the statues' Chapter 205, sec. 2, SLA 1972. There was a unanimous "Do Pass" and the bill was reported out.

SB 476
CS
Do Pass

The committee then dropped back to HB 119. Other language for Section 1. was suggested by Gruening in the words "to seek medical

attention or hospitalization". The conjunction "and" seemed to him to be limiting language. Gruening put his suggestion in form of a motion. This ammendment was adopted.

HB 119
CHANGES

Gruening then suggested a change to language on line 15, "when he expects to be absent". Not enough support for this change was given. A motion was then made to change the language in line 13 to strike "two" and to insert the word "a" and making the following word "physicians" singular. This motion was adopted. Duncan's motion to insert "If before leaving the state", on line 13 failed. Naughton thought more work should be done in creating flexibility for the recipient. A situation could arise when his medical necessity is an emergency and he did not have the time to notify the commissioner. In addition, the paper work in the commissioner's office made it impractical to impose this contstraint upon the recipient.

SUBCOMMITTEE

The question of the effective date of this Act also was discussed. The chairman expressed an opinion that the work should be completed by a subcommittee which he would chair with the help of Naughton and Cowper. The work would be reported back on the following day for action on HB 119.

REFERRAL

ADJOURN

The meeting was adjourned.

Tape H-76-34 33
Begin 0919
End 2098 ap.

corrected June 2, 1976

mb

HOUSE FINANCE COMMITTEE
Friday, February 27, 1976
8:30 a.m.

Chairman Malone called the meeting to order. Present were all committee members with the exception of Rep. Itta.

HB 788

HB 788, Mr. Osterback's bill for special appropriations to the department of education for a center for Alaska Rural Teacher Training Corps was presented to the committee by its sponsor.

RURAL TEACHER
TRAINING CORPS

Mr. Osterback essentially summed up the bill, stating that his son, who was an administrator in schools in rural Alaska, had seen first hand the need for such legislation. Young people were leaving for higher education and not returning and this bill is designed to reverse that trend.

Cowper asked him if federal funds were being withdrawn, as implied by Section 3 of the bill. Osterback said that was right.

Regarding the role of the University of Alaska and its bush college program, what relationship or overlap might there be there? Osterback answered that she was talking about the Kotzebue, Dillingham, Tanana and Fort Yukon instructional program, (see Committee on Education Minutes, bill file), but this bill would cover the entire state, including the chain which was uncovered by the University's program. Mr. Guy called attention to lines 2, 3 and 4 of this committee report regarding the bilingual grant program.

OSTERBACK

When question by Gruening what is being done with the federal funds increase of \$104,000, there was a pause, then Osterback said they will write for a committee description of the program and the impact of federal funding.

Chairman Malone asked how much time they would need and added it would be helpful to wait until Mr. Murphy, executive director of the cross-cultural education development program for the DOE as well as Dave Osterback, DOE, Region X, could be on hand to further the testimony.

KEPT OVER

HB 119 was immediately taken up again. Chairman Malone said he was offering an ammendment on behalf of the subcommittee which might solve the problem of Mr. Cowper. On line 12 of the bill, insert the words "upon approval of the commissioner;" and again on line 15 read "up to ninety days".

HB 119

Rep. Naughton made the point the commissioner will have to make a decision on whether or not their absence will be approved before the recipient leaves for medical attention, or else his longevity bonus would be in jeopardy. There was not going to be a quick enough response from the commissioner to make this practical.

POINT ON
LENGTH OF
ABSENCE

Chairman Malone said that wording was for the purpose of processing, but since there was an objection, he would withdraw his motion. Discussion between Cowper and Naughten continued on how the administrative processing of these requests might be improved.

Gruening read from the statutes, "The recipient shall notify the commissioner when he expects to be absent from the state if the absence is to be a continuous period to exceed 30 days". That would indicate they notify ahead of time but does not indicate that it requires approval from the commissioner first. "After that notification, the recipient shall no longer receive bonuses from the department of administration after his last regularly approved monthly application for a bonus."

Haugen asked if he could interrupt; then asked if his little old lady in Petersburg -- the one who did not receive her check -- could not have received it after all, and that they denied her illegally? There was the fact that she didn't notify them -- she just happened to be late.

WHEN TO
MAKE
NOTIFICATION

Gruening suggested they basically keep the bill as it is now except after the word "recipient" on line 15, add the words "when he expects to be absent notifies the commissioner --".

Gruening then reminded themselves of the words "medical attention or hospitalization" change made the day previously. All the bill would do is to require the recipient to furnish the commissioner with the statement. It doesn't say when. Thus, the wording (above) suggested by Gruening, who was basically happy with the bill, was all right -- other than its being too restrictive. The medical attention needed often did not require hospitalization, such as at the Mayo Clinic, or at the Seattle clinic where across the street was the motel where the patient could stay fifty percent cheaper.

MEDICAL
PURPOSE
REDEFINED

Gruening made a motion to strike the word "and" and insert the word "or" on line 14. With no objection, the motion carried.

It was moved and unanimous consent asked for HB 119 with a CS be reported out. The motion carried. The meeting adjourned.

ADJOURN

Tape H-76-34
Begin 1940
End Estimate

HOUSE FINANCE COMMITTEE
Friday, February 27, 1976
9:00 a.m.

All members were present except Reps. Guy, Gruening, and Itta. Alison Farnan, Legislative Finance, was also present.

PRESENT

The first item on the agenda was HB 673. Chairman Malone directed the committee members to the letter from George Shaginaw that accompanied the bill.

HB 673

Rep. Buchholdt asked if the Governor's Office of Telecommunications might have funds for this. Rep. Duncan said he thought there had been a big change in the direction of the Office of Telecommunications.

GOV'S OFFICE
OF TELECOMMUNI-
CATIONS

Rep. Cowper moved and asked unanimous consent that HB 673 be reported out. There was no objection, so the motion was adopted. The committee report was circulated with the majority signing "do pass" recommendation. So, HB 673 was reported out with a "do pass" recommendation.

HB 673
DO PASS
RECOMMENDATION

Rep. Naughton passed out a proposed committee substitute for HB 119 at the direction of Chairman Malone. Rep. Cowper explained that this covered the waterfront. The administrator could require whatever documentation she would want.

CS HB 119

Rep. Haugen moved and asked unanimous consent that the committee substitute for HB 119 be reported out. Rep. Cowper asked if the bill would be retroactive. Rep. Haugen said maybe it should be. Rep. Cowper moved and asked unanimous consent that the committee substitute for HB 119 be reported out and Sec. 2 should read "This act is retroactive to September 1, 1975." There was no objection so the motion was adopted. The committee report was circulated with the majority signing "do pass" recommendation.

DO PASS
RECOMMENDATION

Rep. Gruening joined the meeting at 9:05. Rep. Fred Brown joined the meeting at 9:05. Chairman Malone left the meeting so Rep. Buchholdt assumed the chair.

Rep. Brown expressed dismay that he had not had an opportunity to speak on HB 673. He had hoped that the committee would report it out as a committee substitute incorporating his ideas.

Rep. Naughton said that the bill had already been reported out. He suggested that Rep. Brown offer his amendment from the floor. Rep. Buchholdt agreed with this approach.

On HB 528 which creates an advisory committee for the Division of Marine Transportation Rep. Buchholdt suggested that a hearing be held on this bill next week. She suggested that Rep. Haugen might notify the people from Petersburg. Rep. Haugen said that would work out well since the city people would be here next week anyway. HB 528

The meeting was adjourned at 9:25 a.m.

Tape H76-34
Beg. 2098
End 2506

HOUSE FINANCE COMMITTEE
Saturday, February 28, 1976
10:15 a.m.

All members were present except Rep. Malone. Others present were Reps. Oral Freeman, Al Osterback, Nels Anderson, Katherine Ostrosky; Dr. Ron Hatch, President, Board of Education, Craig School District; Richard Holden, Deputy Commissioner, Public Works; Bill Thomsen and Chris Roust, Department of Education.

PRESENT

In Chairman Malone's absence, Rep. Buchholdt chaired the meeting. She introduced Dr. Hatch to speak on HB 650.

HB 650

Dr. Hatch said that the problem of a high school in Prince of Wales is historical. There are 150 students in Craig in two two-story wooden structures. One building was built as an education facility and the other as a health center (high school). Five years ago the city received title to the high school and renovated it. Neither facility could pass the scrutiny of the fire marshall. A contract was recently awarded to Dawson Construction for the high school. The original estimate was \$70 per square foot. There is a more recent estimate of \$120 a square foot. Due to the increased cost the building was made smaller and the vocational facilities were not included. The passage of HB 650 would allow us to provide better education at fewer facilities.

CRAIG-KLAWOCK
HATCH TESTIMONY

Rep. Cowper asked Dr. Hatch if what he was really asking was that the school be brought up to its original plans. Dr. Hatch confirmed this. He said the contract was just awarded and the new school is scheduled for completion in December.

Rep. Buchholdt asked if this included recreational facilities. Dr. Hatch said it does not include a gym. It will include an art room, a wood and metal shop, and a science room.

Rep. Buchholdt asked how many students were in Craig High School. Dr. Hatch said there were approximately 50.

Rep. Buchholdt asked for a description of the facilities in the existing high school. Dr. Hatch said it was an old health center which prior to being a health center

2-28-76

was a home. There's one large classroom on the first floor with a kitchen and two smaller rooms. On the second floor there is one large classroom and one smaller one. In addition, the wood and metal shop is housed in a small wooden building adjacent to this building. It's cold and in a bad state of repair. The original educational facility is used for some high school classrooms. The elementary students use the first floor. There are three smaller classrooms (roughly 8' X 12') on the second floor.

Rep. Naughton asked about the size of the classes. Dr. Hatch said that most run on an average of 12-13. Rep. Naughton asked if Craig was an incorporated town. Dr. Hatch said it was a first class city, not part of a borough. It does not have bonding capabilities. Rep. Naughton asked if the school was operated by the state. Dr. Hatch said no, it was funded by the school district. It is an independent school.

Rep. Itta expressed concern that there seemed to be little organization as far as rural school legislation went. She was disturbed that the legislation was piece by piece. Several buildings are asking for funds.

Rep. Duncan asked how many students at the maximum was the high school designed to accommodate. Dr. Hatch responded approximately 80. Rep. Duncan asked if there were projections on enrollment at Craig in the future. Dr. Hatch said that the 80 is based on a 10-year projection from '72. With the state of fishing and the saw mill, there is no way of knowing how long people will be staying. The new facility should handle the educational needs for at least 10 years.

Rep. Duncan asked if with the problem between Craig and Klawock about who will travel the distance to go to school, was it possible that Klawock might want a school of their own. Dr. Hatch said it was a possibility, but Klawock is only 7 miles away and another high school would be hard to justify.

Rep. Buchholdt asked how many of the 50 students came from Craig and how many from Klawock. Dr. Hatch said he would guess that there were 15 high school students from Klawock. Rep. Duncan asked if it would be safe to assume that if there was an increase in students it would be in the Craig area. Dr. Hatch said this was true.

Rep. Naughton asked about the type of construction to which Dr. Hatch replied that it would be wood frame. He also said that the reason the cost per square foot had increased was that construction costs went up. The building is a little over 7,000 square feet. The contract just awarded has dimensions of 90' X 105'. The new plan is probably one-half as big as the original one.

Rep. Duncan said he could understand Dr. Hatch's problems. He taught there several years ago and the buildings were in very bad shape then.

Rep. Haugen asked how much was left from the '72 bond issue. This facility has to stand on its own. The request for the appropriation is legitimate.

Rep. Freeman said that in '72 the bill was introduced for \$30 million worth of bonds. In the original bill it was specified that there would be \$1.5 million for Craig-Klawock High School. That amount was cut. Originally they were going to have an area-wide school which would have meant that kids would have to be put in a boarding program. The people didn't like that idea.

The next item on the agenda was HB 743, which would give construction money to Hydaburg. Rep. Buchholdt introduced Mr. Burgess, Mr. King, and Mr. Anderson who were representing Hydaburg.

HB 743
HYDABURG

Mr. King said that last year an additional \$150,000 was requested to bring the total proposal to \$610,000. That would provide a minimum facility for secondary education. Since then the architect sent a new estimate of \$210,000 instead of \$150,000. This fall, based on a total of \$610,000 of which we actually received \$400,000 for construction, the Dept. of Public Works put the building out for bid. The base bid came in December 23 at \$433,000. This did not provide any alternates at all. At the present time secondary school students are housed in two temporary classrooms. One is 24' X 44' and the other is 28' X 44'. There are no science facilities. The basement of one hall is being rented for vocational program. The enrollment is 120 for grades K - 12. There are four classrooms and one resource center. The anticipated enrollment for the secondary program is 68. This appropriation is a request to build the other alternates that were not in original proposal. This request would provide an

KING TESTIMONY