

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2661

Tape #: H 77-6

## RECORDER LOG

Date: 2-8-77

Beg. #: \_\_\_\_\_

(5)

End #: \_\_\_\_\_

General Subject: Dept of Administration

Present: \_\_\_\_\_

| Log #                                 | Description                                                                                 |
|---------------------------------------|---------------------------------------------------------------------------------------------|
| 3320                                  | \$75,000 was in '77 budget & will be lapsed, rebudgeted for '78                             |
| 3349                                  | Duncan - payroll problems, collective bargaining, penalty payments                          |
| 3367                                  | Flexibility of new system - "Peace Officers"                                                |
| 3388                                  | Accounting problems in Alaska - these can be solved with computerized system                |
| 3412                                  | Krowder - problems with system - many changes since August - past the stage of swapping it. |
| Tape ended at 3436 - Change to H 77-7 |                                                                                             |
| 0058                                  | Duncan - increased work load with new system? - not overall                                 |
| 0118                                  | Kethin - security cost for system with remote entry                                         |
| 0213                                  | Krowder - possible need for outside expertise in telecommunications                         |
| 0253                                  | Travel expense for training - NEIS training                                                 |
| 0299                                  | Duncan - position vacancy - results of 8% reduction - frozen position                       |
| 0391                                  | Duncan - request for schedule on payroll system                                             |

Tape #: H 77-7

## RECORDER LOG

Date: 2-8-77

Beg. #: \_\_\_\_\_

(6)

End #: \_\_\_\_\_

General Subject: Dept. of Administration

Present: \_\_\_\_\_

| Log # | Description                                                                                                                       |
|-------|-----------------------------------------------------------------------------------------------------------------------------------|
| 0421  | Duncan - request for review of contracts on payroll information system - In house development                                     |
| 0454  | Duncan - Data Processing - p. 70                                                                                                  |
| 0480  | Need for consulting on security system                                                                                            |
| 0523  | Lethin - retrieval security                                                                                                       |
| 0578  | Leg. Intent for centralizing data processing<br>Krowder - centralization has not occurred.<br>Need to upgrade to larger computer. |
| 0661  | Plan to centralize - possibly through legislation -                                                                               |
| 0733  | legislation may not be introduced till next session                                                                               |
| 0757  | Lethin - plan to regionalize - equipment scattered.                                                                               |
| 0798  | Ways of analyzing computer output<br>(9:30 Cooper joined meeting)                                                                 |
| 0818  | Duncan - charge-back system                                                                                                       |
| 0835  | Resistance to that system - impossible for agencies to realistically budget.                                                      |
| 0858  | Example: welfare payments                                                                                                         |

Tape #: H 77-7

## RECORDER LOG

Date: 2-8-77

Beg. #: \_\_\_\_\_

(7)

End #: \_\_\_\_\_

General Subject: Dept of Administration

Present: \_\_\_\_\_

| Log # | Description                                                                                                               |
|-------|---------------------------------------------------------------------------------------------------------------------------|
| 0880  | Intent of charge - back system a good one, but not a simple issue                                                         |
| 0900  | Duncan - have agencies been informed of intent                                                                            |
| 0933  | Knower - started survey Jan. 1 - what are growth needs - hardware requirements -                                          |
| 0984  | Jason - mini-computer, why 3? Regionalization.                                                                            |
| 1050  | Remote Data Entry                                                                                                         |
| 1083  | Lethin - \$75,000 is purchase price for mini-computer. Terminals can be leased, but mini-computers are purchased.         |
| 1160  | Duncan - we don't know if we have need for mini-computers & terminals <del>then</del> in Anchorage, Fairbanks, and Juneau |
| 1184  | Lethin - we need to have figures in order to make decision.                                                               |
| 1199  | Duncan - priorities for 3 terminals                                                                                       |
| 1224  | Mini computers & terminals needed at same time                                                                            |
| 1247  | Lethin - what will terminals be used for.                                                                                 |

Tape #: H 77-7

## RECORDER LOG

Date: 2-8-77

Beg. #: \_\_\_\_\_

(8)

End #: \_\_\_\_\_

General Subject: Dept of Administration

Present:

✓ for alison

| Log #  | Description                                                                                                                   |
|--------|-------------------------------------------------------------------------------------------------------------------------------|
| 1280   | Request for written plan                                                                                                      |
| 1307 ✓ | Duncan - What's happening to \$75,000 in budget                                                                               |
| 1344   | Duncan - transfers of positions questions                                                                                     |
| 1373   | Contractual keypunch - froze 11 positions -<br>Personal dues money transferred to Contractual                                 |
| 1469   | Duncan - request for trail of what happened to positions.<br>Miles - request for explanation of vacancies -<br>Deleting PCN's |
| 1531   | p. 70 Services to Administration<br>Duncan - What does this \$63,000 do? Increase in interagency receipts                     |
| 1562   | p. 72 Contractual - additional bites of memory - explanation                                                                  |
| 1639   | Duncan - Retirement - Is \$63,500 total? No.<br>In addition to \$75,000 put in August.                                        |
| 1689   | p. 75 Administration + Support                                                                                                |
| 1697   | Duncan - new positions - Do you need Systems Mgr if you haven't centralized?<br>Alison - it will be implemented.              |

Tape #: H 77-7

## RECORDER LOG

Date: 2-8-77

Beg. #: \_\_\_\_\_

(9)

End #: \_\_\_\_\_

General Subject: Dept. of Administration

Present: \_\_\_\_\_

| Log # | Description                                                                                                                                 |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 1761  | When will centralization take place? Where is authority if legislation doesn't pass.                                                        |
| 1799  | Duplication                                                                                                                                 |
| 1804  | Miles - long range plan for computer needs. We need an outline of where we're headed. Krowder - Will have projections in July of this year. |
| 1873  | Lethin - Inventory could be done in 10 days - What's percentage of utilization.                                                             |
| 1934  | Duncan - suggested long-range plan before centralization and present it in '79 budget.                                                      |
| 1970  | Initial centralizing function.                                                                                                              |
| 1991  | Krowder - payment will come from Data Processing.                                                                                           |
| 2014  | Miles - What about a resolution for a long-range plan.                                                                                      |
| 2033  | Lethin - administrative freeze on acquisition of hardware.                                                                                  |
| 2091  | 10:40 meeting adjourned.                                                                                                                    |

Tape #: H77-8RECORDER LOGDate: 2/9/77Beg. #: 0000Time: 1:42 p.m.End #: 1900Page: 1General Subject: Subcommittee on Public Protection - Human Rights Commission

Present: Representatives Cowper, Carpenter, Buchholdt, Schaeffer, Subcommittee  
Chairman Guy; Commissioner Neil Thomas, Comm. Diane Snowden, Comm. Willy Ratcliffe,  
Comm. Bob Garza, Commissioner John Gonzales; Frank Quinto, Janet Bradley, Juneau  
Office; Betty Tutt; Commission Attorney Carolyn Jones, Department of Law;  
Bob Schroeder, Fiscal Analyst, Legislative Finance; Dan Dawson, Budget and  
Management.

| Log # | Description                                                                                                                                                                                                                                                                   |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0000  | Meeting opened by Subcommittee Chairman Phillip Guy at 1:42 p.m.                                                                                                                                                                                                              |
| 0000  | Made introductions and apologies for absence of Senator Orsini.                                                                                                                                                                                                               |
| 0135  | Comm. Thomas made introductions of staff members present and gave a brief explanation of operation and purpose of Commission. Referred members of committee to Janet Bradley, Director of local office.                                                                       |
|       | Principal activities of Commission. Explanation.                                                                                                                                                                                                                              |
| 0448  | Question by Rep. Cowper re manner in which Ombudsman's Office selects which cases it will handle compared to Human Rights Commission manner of selection. Commissioners Thomas and Snowden answered.                                                                          |
| 0551  | Comments by Comm. Thomas re Commission's standard of attempting to resolve individual's issue instead of the overall which can effect whole minority groups. Comments on problems of length of time process takes and effect of that problem on the individuals seeking help. |
| 0559  | Question by Rep. Carpenter re large increase in budget request for '78. Answered by Comm. Thomas - increased caseload due to increase.                                                                                                                                        |

General Subject: Subcommittee on Public Protection - Human Rights Commission

| Log # | Description                                                                                                                                                                                                                                      |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | in public informance of availability of Commission.                                                                                                                                                                                              |
|       | Questions by Rep. Carpenter and Rep. Guy regarding number of cases filed and resolved. Explanation by Comm. Thomas.                                                                                                                              |
| 0752  | Questions and answers regarding attorneys on Commission to try cases.                                                                                                                                                                            |
|       | Questions and answers regarding cost for attorney to try case - transcript, travel, etc.                                                                                                                                                         |
|       | Questions by Rep. Cowper regarding cost and method of obtaining transcripts. Answer and brief discussion.                                                                                                                                        |
| 0842  | Discussion of cost of attorneys hired to do investigative work.                                                                                                                                                                                  |
| 0856  | Comments by Comm. Thomas re plans for submitting in the future separate project ledgers for hearing costs, investigation costs, public education.                                                                                                |
|       | Comments on necessity to educate the public on availability and purpose of Commission.                                                                                                                                                           |
|       | Comments and discussion on two-year VISTA program attorneys.                                                                                                                                                                                     |
| 0922  | Comm. Snowden referred the committee to page 54 of Budget Analysis for explanation of the hearings staff duties and costs.                                                                                                                       |
| 0925  | Comm. Thomas commented that appropriation was not made last year for full-time attorney and it was necessary to use \$54,000 of funds allocated to hearings to pay for Department of Law attorney and part-time clerical work for that attorney. |
| 1011  | Question by Rep. Carpenter re figures presented by the Commission on estimates and projections of effectiveness of the Commission operating on different levels of funds provided. Comms. Thomas and Snowden answered. Discussion.               |

General Subject: Subcommittee on Public Protection - Human Rights Commission

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1091  | Questions and answers regarding number of cases filed related to pipeline contractors. Discussion and projection of pipeline related cases in future.                                                                                                                                                                                                                                                                                                   |
| 1156  | Comments by Comm. Thomas and discussion regarding Commission's lack of funds to adequately keep public informed as to their rights regarding housing, obtaining credit, etc.                                                                                                                                                                                                                                                                            |
| 1234  | Question by Rep. Buchholdt regarding charts on page 50 and page 52. Answer and explanation by Comm. Thomas of charts and differentiation between racial discrimination and national origin discrimination. Questions by Rep. Cowper regarding discrimination of caucasians. Answers and brief discussion by Comm. Thomas. Comments by Comm. Thomas regarding discrimination of a type that is "fair in form, but discriminatory in practice."           |
| 1367  | Comparison by Comm. Snowden of Alaska Human Rights Commission to commissions in other states - high rate of settlement in terms of appropriated budget and staff available. Comm. Thomas gave explanation of page 49. - Shows effect of new office opening in areas that did not previously have Commission representatives available to them locally. Questions and answers by Comm. Thomas re types of complaints pertaining to pipeline contractors. |
| 1540  | Rep. Guy asked Comm. Thomas to explain the budget. Comm. Thomas - explanation. Maintenance, new positions, proposed rate change in personnel. Discussion                                                                                                                                                                                                                                                                                                |
| 1588  | Comments by Comm. Thomas re need for full-time staff attorney.                                                                                                                                                                                                                                                                                                                                                                                          |



HOUSE FINANCE COMMITTEE  
Thursday, February 10, 1977  
11:25 a.m.

All members were present except Rep. Cowper, who arrived at 11:28.

*Present*

Others present were Rep. Osterback, Rep. Gardiner, Rep. Nakak, Rep. Miles, and Jim Rhode, Assistant to Rep. Cowper; Phil Hubbard, Commissioner, Dept. of Commerce and Economic Development; Tolbert Elliott, Executive Director, Alaska Housing Finance Corp.

The meeting was called to order by Vice-Chairman Freeman. At 11:28 Rep. Cowper arrived and took over the chair.

The Chairman said that the first order of business would be HB 189, a special appropriation to the Department of Public Works for constructions of a new dock at Cold Bay. By way of background, the Chairman told the committee that last year's bond proposal had an item of \$2,500,000 to build a dock at Cold Bay. There were extensive hearings on the bill, and the dock is needed. \$500,000 was cut, but the dock can't be built for less than the full \$2,500,000. The Chairman asked Rep. Osterback to testify on the bill.

*HB 189*

Rep. Osterback said there was a special appropriation by the Governor last year to repair the dock. The Coast Guard said that if the dock was not repaired, Standard Oil would have to take the pipe off the dock. Standard Oil says they will not put the pipe down until a new dock is there. If the fueling station is lost, the whole Aleutian Chain will be crippled. The only other places to get fuel would be Kodiak, King Salmon, or Anchorage. If the pipeline is taken out, the fuel will have to be flown into Cold Bay. There are blueprints on the dock. There's a company that's put bars and floats in the Sand Point Boat Harbor. The rig is here, so the \$200,000 that it would normally cost to bring a rig from Seattle would be saved. The dock will be concrete with steel pilings.

Rep. Swanson said he noticed in Sec. 2 that there's an effective date of July 1, 1977. He commented that the money should be available immediately. Rep. Swanson moved and asked unanimous consent to amend Sec. 2 for an immediate effective date clause. There was no objection; it was so ordered.

*Change in  
Effective  
Date*

Rep. Haugen asked if it was aviation fuel only which was being dispensed. Rep. Osterback answered that they were dispensing only plane and automobile fuel. Rep. Freeman asked if the pipeline was part of the cost. Rep. Osterback replied that Standard Oil was putting that in, but they need a 30 foot depth so the big tankers can get in. Rep. Swanson commented that the cost would be passed on to the consumer.

Rep. Duncan moved and asked unanimous consent that Committee Substitute for HB 189 be reported out. There was no objection; it was so ordered. The Committee Report was circulated and all members signed the "do pass" recommendation.

*CS for  
HB 189  
Reported Out  
Do Pass*

The next bill for consideration was HB 154 "A special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation." Rep. Nakak was present to speak on the bill.

HB 154

Rep. Nakak asked the committee to consider a proposed Finance Committee Substitute that had been prepared which deleted "this appropriation" from line 14-17 and also deleted language from section 2. Rep. Nakak said he hoped the committee would report the bill out and thus allow a \$2,000,000 appropriation. This would cover \$100,000,000 worth of housing.

Rep. Swanson moved that the Committee Substitute be adopted in lieu of the original bill. The Chairman suggested that motions be held until testimony was heard. Rep. Swanson withdrew his motion.

Rep. Gardiner suggested that the proposed committee report go along with the legislation to give some direction to where the corporation should be going. It's possible that all financial institutions are not aware of the program and how it's useful to Alaskans. The people are not necessarily learning of this service. It should be emphasized in the committee report that people should be made aware of this service. Another thing in the proposed committee report is an increased emphasis on private housing in Alaska. Alaska Housing Finance Corporation is one of the first ones going out into the bush to help with housing. Rep. Gardiner said he and Rep. Nakak hope that this program will be expanded.

Committee  
Report

The Chairman asked Mr. Elliott to speak to the committee. Mr. Elliott said that until this last year the bond money had to go 90% to federally insured mortgages. Last year it was possible to go out and make rural loans. The fund is administered by the Department of Revenue and invested by them. Sometime in the future it is hoped that the fund will be self-sustaining. The \$2,000,000 will insure \$100,000,000 worth of mortgages. The fund is not drawn on, but gives security for the bond.

The Chairman asked what was physically done with the money. Mr. Elliott answered that they did not actually touch the money. A bond issue is sold and the mortgage is pledged. Revenue is notified to deposit the money to a state mortgage revenue fund. Mr. Elliott said that for the committee's information there had been a meeting with the Governor's Budget Committee and they said they would support \$1,500,000 at this time, which would probably take the Corporation through June of 1978.

Rep. Guy asked Mr. Elliott to explain what a conventional loan was from a rural point of view. Mr. Elliott answered that it doesn't have the restrictions of an FHA loan. It's not insured by the federal government. It's much more lenient than FHA. Rep. Guy asked what would stand as collateral. Mr. Elliott replied that the real estate itself would be collateral. A 5% down payment is required. The loan can be made for from 2030 years if that will make it possible to grant the loan. Rep. Guy asked if a loan could be for expansion and renovation of a home. Mr. Elliott said

that there is no program like that at the present time. (Rep. Cowper left the meeting at 12:00.)

HB 154

Rep. Gruening asked if the money would be available after the end of this year. Mr. Hubbard said it would remain there until the entire bond issue has been sold. Mr. Rhode said that under the statutes the agency receives the money and places it in a revolving loan fund. After it's sold that fund is replenished. It doesn't have a life like an appropriation. (Rep. Rhode left the meeting at 12:05.)

Rep. Buchholdt mentioned that this says housing will be in rural areas. She asked how this would be guaranteed. Mr. Elliott said that in the past bond money had to be used for federally insured mortgages. All the bond money went to urban areas. Under this conventional program it's possible to go into the rural areas.

Rep. Guy asked about money that had been appropriated for home improvements. Mr. Elliott said the board appropriated money two years ago for that. That money ran out. Under the bond program, money can't be used for rehabilitation loans.

Rep. Gruening moved and asked unanimous consent to adopt Finance Committee Substitute for HB 154. There was no objection; it was so ordered.

*Finance CS  
for HB 154  
Reported out  
Do Pass*

At 12:10, a recess was called. The meeting was scheduled to reconvene at 1:15.

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Tape H 77-9  
0006 - 1107

HOUSE FINANCE COMMITTEE  
Thursday, February 10, 1977  
1:15 p.m.

The following members of the Committee were present: Representatives Freeman, Schaeffer, Meekins, Gruening, Guy, Rhode, and Swanson. Representative Miles was also present.

In Rep. Cowper's absence, Rep. Freeman chaired the meeting.

The first order of business was HB 93, "An Act relating to construction and leasing of public buildings; and providing for an effective date." Rep. Miles was present to speak on the bill. HB 93

Rep. Miles said this bill merely addresses a policy question. If the answer is "yes", it's a housekeeping measure. The involvement of the Alaska State Housing Authority in the building program is unconstitutional. The ASHA involvement has been an end run by the voters. If the Committee agrees to pass it out, in effect what the bill says is that ASHA will no longer be involved in financing state buildings. The state would finance them only after ratification by the voters. Rep. Freeman said it was strictly a philosophical question. The state is prohibited from incurring debt without approval of the voters. Years ago we started using ASHA to build buildings and rent them to the state. Rep. Meekins asked if this had ever been challenged in court. Rep. Miles answered that it hadn't been. He added that State Affairs had considered the bill. They had Roger Lang from the Investment Board testify, and everyone supported the bill.

*ASHA  
involvement  
unconstitu-  
tional*

*Miles  
testimony*

Rep. Meekins asked if there weren't some things that ASHA accomplishes that would be inhibited by passage of this bill. Rep. Miles said there weren't. Rep. Gruening asked if one of the advantages would be that the agency would be concentrating more on the housing area if they weren't in the public building business. Rep. Miles replied that this was true. ASHA will be dealing in housing only from henceforth. They will not get into public buildings or warehouses.

Rep. Swanson said he was one of the sponsors on this bill. If the state is going to build buildings, they should go through the regular legislative process and let everyone have the chance to vote on them. They should go through the regular state channels.

Rep. Rhode asked how this bill either parallels or conflicts with the Alaska Housing Finance Corporation. Rep. Miles answered that they are a secondary money mart. They don't get into construction. They are a financing vehicle, but ASHA will provide public housing where the need is shown.

*ASHA  
comparison  
to AHFC*

Rep. Freeman asked the value of ASHA buildings. Rep. Miles said it was \$106,000,000. That figure is not the assessed valuation. It's the actual dollar amount in bonds that ASHA has gone to market with.

HB 93  
Value of  
ASHA Bldgs.

Rep. Rhode asked if this bill passes if it would be necessary to have a bond issue to build courthouses. Rep. Miles said it would unless a direct appropriation was made. Rep. Rhode asked what would be wrong with wiping ASHA off the books. Rep. Miles said there would be no vehicle for public housing in the state. There are 1800 units across the state of public housing. (Rep. Haugen arrived at the meeting at 1:40.)

Rep. Gruening called the Committee's attention to their file for HB 154. Rep. Nakak had prepared a suggested committee report. Rep. Gruening moved and asked unanimous consent that the Finance Committee prepare and adopt a committee report in the same text as submitted. There was no objection; it was so ordered.

HB 154  
Committee  
Report  
Adopted

Returning to HB 93, Rep. Meekins recommended that the Finance Committee recommend it to the body as amended by State Affairs. (Rep. Buchholdt joined the meeting at 1:50.) Rep. Buchholdt said she saw no problem in adopting the State Affairs amendment.

HB 93

Rep. Swanson moved that the bill be reported out of Committee as amended and asked unanimous consent. Rep. Meekins said he would like to hear any opposition to the bill. The committee report was circulated and all members recommended that HB 93 do pass as amended by State Affairs except Rep. Meekins, who signed "no recommendation."

HB 93  
Reported Out  
as amended by  
State Affairs  
Do Pass Rec

The next bill to be discussed was HB 95. Rep. Miles said this one deals with ASHA bonds. There's a sentence in the statutes that sets a 7% ceiling. For all practical purposes you can't buy money for 7%. This repeals the limitation. Thirty-one states have no limitation on this type of bond. Alaska Housing Finance Corporation doesn't have a limitation.

HB 95

Rep. Meekins moved that the bill be reported out of Committee and asked unanimous consent. There was no objection; it was so ordered. The committee report was circulated, and all members signed "do pass" recommendation.

HB 95  
Reported out  
Do Pass Rec

There was no further business to come before the Committee, so the meeting was adjourned at 2:00.

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Tape H 77-9  
1118 - 1748

HOUSE FINANCE COMMITTEE  
Friday, February 11, 1977  
1:20 p.m.

All members were present except Rep. Buccholdt and Rep. Gruening. [Rep. Gruening entered later.]

*Present*

Also present were Gary Jenkins, Director, Audit Division Department of Revenue; Terry Dale, Research Analyst, Office of Lt. Governor; Phil Dasher, North Star Borough Assembly.

Discussion of HB 182

*HB 182*

Chairman Cowper asked Rep. Duncan who along with others sponsored HB 182 to explain it to the Committee. Rep. Duncan explained that HB 182's purpose is primarily to comply with Federal changes made regarding tax credits for child care expense for the tax year 1976.

Rep. Freeman asked whether the State or the Federal government would be taking the loss. Rep. Duncan replied that the State would be taking the loss in tax income. Rep. Freeman asked how much of a loss it would be. Rep. Cowper said \$1.0 million.

Mr. Jenkins said the Department of Revenue estimates a loss of \$1.0 million, but that it is only their best guess. Necessary data to make better estimate is not available. The circumstances in Alaska are quite different than the national average due to the large percentage of young people in Alaska as compared to most states, and other factors. The DOR believes the figure will be lower.

*Discussion*

Rep. Cowper inquired regarding the effect of the bill going through this session on the returns which will have been filed previous to April. Mr. Jenkins replied that the DOR thought that it might recommend that it not be effective until 1977, however, there was a great deal of opposition to that and they therefore are recommending that it be effective for 1976 returns. Those that have filed previous to the bill becoming effective will have to file amended returns. If the Bill clears within the next two weeks, there should be a small percentage of returns filed by that time.

Chairman Cowper asked if the Administration supports this Bill. Mr. Jenkins replied that it does.

*Administration  
Support*

Rep. Freeman asked a question regarding the nature of the deduction. Rep. Duncan answered that the bill would provide for a direct credit. Mr. Jenkins made further explanation of State and Federal credits.

Mr. Jenkins made comments about a recommendation for a minor change in retirement income credit. He said his office recommends that legislature make the amendment. Effect will be minimal. Chairman Cowper asked Mr. Jenkins to explain the amendment according to Section 37 of the Internal Revenue Service Code.

*Recommended  
Amendment*

Mr. Jenkins explained. Primary effect is that it raised some of the income levels. The retired person can have a larger income than previously and still qualify for the credit. The effect should be minimal since there are a lot of retirees whose income is not taxable anyway.

Chairman Cowper asked for a count of members favorable to the Committee reporting HB 182 out. A motion was made that a Committee Substitute be prepared incorporating the language of Section 37 of the IRS Code and do pass. The motion was seconded and carried by a majority count.

*HB 182  
Report Out  
Committee  
Substitute*

#### Discussion of HB 84

*HB 84*

Mr. Jenkins introduced Mr. Dale of the Lt. Governor's Office and referred the Committee to a letter [copy attached] dated February 9, 1977, from Lieutenant Governor Lowell Thomas to Speaker of the House, Hugh Malone, recommending a compromise by continuing an opening time of the polls of 8 a.m. while extending the evening closing time by one hour. The bill asks for an opening time of the polls one hour earlier than the present opening time. He said that the purpose is to encourage people to exercise their right to vote by keeping the polls open longer and thus giving them more time to vote after regular working hours. The cost figured at \$8,000 per election - \$16,000 every two years. His office recommends that it be tried for the next couple of years at least. He requested that the Committee give favorable consideration to the Bill.

*Mr. Dale-  
Lt. Gov's  
Office*

Rep. Freeman asked if Mr. Jenkins knows if the people who work in the election polls will be willing to put in the extra evening hour. Mr. Jenkins replied that his office believes that there would be some opposition to the extra morning hour but not to the evening hour.

*Mr. Jenkins  
Dept of  
Revenue*

Discussion regarding time off to vote by employer required.

Rep. Swanson asked Mr. Jenkins if it is the Lt. Governor's suggestion that the Finance Committee amend the Bill. Mr. Jenkins replied that it is.

[Rep. Gruening arrived at 1:40.]

Question by Chairman Cowper re two fiscal notes with the bill. Mr. Dale explained.

*Fiscal Notes*

Rep. Gruening asked to be informed on what the amendment is since he came in late. Chmn. Cowper replied that the amendment is to add one hour in the evening and remove an hour in the morning.

*Discussion*

Rep. Rhode asked question regarding having flexibility in the schedule to suit the particular needs of each area. Mr. Dale replied that it could cause problems. That it would complicate things.

Rep. Schaeffer asked Mr. Dale how long the present time schedule for the polls has been in effect. There was no reply.

Comments by Rep. Haugen and discussion regarding the matter. Mr. Dale said that the Lt. Governor's Office does support the proposed amendment to the Bill.

Chmn. Cowper introduced Mr. Dasher who was representing interests of North Star Borough Assembly. Mr. Dasher explained that the area he was representing opposes the change in the polling times primarily because of the extra cost that would be incurred by NSBA. Brief discussion and suggestion by Mr. Dale that perhaps employers who do not allow their employees the two-hour leave time to vote should be penalized.

*Mr. Dasher-  
North Star  
Borough  
Assembly*

Chmn. Cowper asked Mr. Dasher if the other members of the North Star Borough Assembly had been polled on this. Mr. Dasher replied that they had and that they concurred that it would be too costly and time consuming. Further discussion regarding cost computation.

Question by Rep. Freeman regarding the legality of amending it to apply only to state elections. Rep. Cowper replied that he assumed it would be legal. Discussion.

Comments and discussion by Reps. Cowper, Duncan, Freeman and Swanson and Mr. Dasher. Chmn. Cowper asked for further discussion.

Reps. Duncan and Swanson made a motion for unanimous consent to amend HB 84 by striking seven and making it eight on line 12, and by striking 6:30 and making it 7:30 on line 15. Chmn. Cowper called for objections. There being no objections the motion to amend HB 84 as just stated carried. A motion was then made that a Committee Substitute be prepared and HB 84 be reported out. A vote was taken and the motion to report HB 84 out as amended carried 5-4.

*Motion to  
Amend*

*Report Out  
Committee  
Substitute*

The Committee Report was passed around and signed by a majority.

Chmn. Cowper informed the Committee that there are plans in the making for forming some type of method to investigate the budgets. Chmn. Cowper instructed the subcommittee chairman to write down matters that come up in their subcommittee meetings regarding budgets which they feel need fuller investigation by the Budget and Audit committee chosen to do these investigations, or whatever manner they decide to do this in. The Budget and Audit committee will then be able to do investigation during the interim and budget decisions will be easier and quicker to make next session. He said he would inform the subcommittee chairmen further as he receives more definite information.

*Budget Investigation Comm.*

[Tape finished. Tape off for the rest of the meeting.-2:05 p.m.]

Chmn. Cowper requested the Committee members to give him lists of suggested areas of inquiry for the University of Alaska hearings. He said he would like the inquiries to be aggressive and to the point at the hearings. There was further discussion.

*Inquiries for U of A Hearings*

Chmn. Cowper asked for further discussion; there being none, the meeting was adjourned at 2:15 p.m.

*Adjourned*

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Note:

Chairman Cowper made the following referrals to Subcommittees:

- HB 122 - Public Protection, Chairman Schaeffer
- HB 162 - Natural Resources, Chairman Swanson
- HB 163 - Public Protection, Chairman Schaeffer
- HB 164, HB 165 - Justice, Chairman Guy
- HB 167, HB 168 - Gen. Government & Development, Chairman Duncan

Tape #: H 77-10

## RECORDER LOG

Date: 2-14-77Beg. #: 0000Time: 11:35End #: 0730Page: 1General Subject: Department of Transportation

Present: Rep. Cowper, Freeman, Rhode, Hanger, Guy, Meekins,  
Schaeffer, Swanson, Buchholz Duncan, Bankworth,  
Jay Hogan, Alison Jarman, Leg. Finance; Joe LaRosa,  
Press;

| Log # | Description                                                                                                                                                                                                                                          |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0000  | Freeman - letter of 2-11 re: what to do about lack of budget figures for new Dept. of Transportation                                                                                                                                                 |
| 0089  | Requested Jay Hogan to refer to problem                                                                                                                                                                                                              |
| 0111  | Hogan - explained handout                                                                                                                                                                                                                            |
| 0188  | * 1.5 million general fund savings                                                                                                                                                                                                                   |
| 0205  | * 2,142,000 total cut - tentative figures as letter is difficult to work from                                                                                                                                                                        |
| 0228  | Cowper - any indication of getting any better figures than 2-11 letter.                                                                                                                                                                              |
| 0245  | Freeman - They say this is the best they can do. Feeling that there's a behind-the-scenes struggle which is making the figures difficult to get to. Legislature can't make an intelligent decision based on what's presented. There is a better way. |

General Subject:

Dept. of Transportation

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0308  | Freeman - recommended turning down DOT and doing it legislatively. This has been going on for years.                                                                                                                                                                                                                                                                                                                                                                       |
| 0339  | Cowper - Freeman's recommendations on page 4 of memo to turn Executive order down. Are these still recommendations.                                                                                                                                                                                                                                                                                                                                                        |
| 0363  | Freeman - yes                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 0368  | Cowper - At end of session last year it was understood that nothing would be done on this and Governor would do it by Exec. Order. This is one of the things he campaigned on in '74. Agreement with Governor's concept. Problem is no budget submission in accord with change. Full committee should make recommendations. We can't go ahead with the budget with this information. The Governor should be apprised of this. He may want to withdraw his executive order. |
| 0465  | Cowper - If legislation is passed perhaps the Governor could make transfers with approval of Budget & Audit Committee.                                                                                                                                                                                                                                                                                                                                                     |

General Subject: Dept of Transportation

| Log # | Description                                                                                                                                                              |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0496  | Hanger - We could write budget on the way its submitted with legislative intent that deviations would be approved by B+A Committee                                       |
| 0535  | Hogan - That's ruled out in this Order Governor is given Carte Blanche on this.                                                                                          |
| 0550  | Duncan - in agreement with Rep. Freeman's recommendation.                                                                                                                |
| 0563  | Guy - trunk and secondary airfields                                                                                                                                      |
| 0573  | Cowper - figures appear to have come from thin air.                                                                                                                      |
| 0584  | Meekins - Marine Hways 17% reduction                                                                                                                                     |
| 0594  | Freeman - Subcommittee has considered Aviation and Marine Trans. An overall 17% reduction doesn't work.                                                                  |
| 0618  | Duncan - should recommendation be to speaker? - Cowper: yes                                                                                                              |
| 0633  | Rhode - I think Governor should be notified that exec. order will go down unless we have info.                                                                           |
| 0658  | Cowper - Because of the fact there's been no budget submitted which coincides with EO 39, it would be the intention of HFC to turn it down unless its withdrawn in time. |

General Subject: Dept. of transportation

| Log # | Description                                                                                                                                                                                                |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0658  | Cowper (cont'd) - HFC could consider legislation along the lines of EO 39 effective July 1, 1978. The Gov could be given power to create DOT before then, but transfers must be approved by B+A Committee. |
| 0706  | Freeman - This info has been supplied to the subcommittee chairman on Senate side.                                                                                                                         |
| 0715  | Duncan - <u>MOTION</u> to follow Freeman recommendations. No objection                                                                                                                                     |
|       | Cowper - This will be conveyed to the speaker. The sense of it is to reject EO 39.                                                                                                                         |
| 0730  | Meeting adjourned at 12:05.                                                                                                                                                                                |

SEE ATTACHMENTS

LEGISLATIVE POSITION PAPER ON  
THE DEPARTMENT OF TRANSPORTATION  
BY REP. ORAL FREEMAN

House Bill 63 introduced by Rep. Willard Bowman, et al, in the 1975 legislative session signaled the beginning of the current effort to create a Department of Transportation. That bill, as it left the House, envisioned a single Department of Transportation incorporating the planning, construction, maintenance and operation of all state transportation facilities including ferries, airports, water and harbor facilities and highways. The bill did not pass the Senate.

In January of 1976 the Governor introduced SB 548 incorporating a second concept, namely the creation of two departments with transportation responsibilities. Under the 1976 Governor's proposal, the existing Department of Public Works would have had the responsibility for design, construction, and preparation of life-cycle cost analysis for transportation projects. The new Department of Transportation would have had the responsibility for planning, operation, and maintenance of all state transportation facilities. The bill did not move and no other Department of Transportation legislation passed the legislature.

The current legislature has been given Executive Order 39 which would create a single Department of Transportation combining all the transportation functions currently divided between Public Works and Highways in the new department. This brief history of the Department of Transportation proposals makes the problem appear simpler than it really is. For approximately one and one-half years the current administration has espoused the two department concept for transportation and has done all its planning accordingly. Some time in late November or early December of 1976 the Governor changed his mind and reverted to the single department concept originally proposed two legislative sessions ago. This sudden change of mind

has apparently left the executive without firm plans and budget proposals to support those plans for the operation of a single Department of Transportation.

On January 20 I wrote the Governor (see copy attached) and said that in good conscience neither I nor my subcommittee could be expected to make an intelligent decision on either the executive order creating the Department of Transportation or the budget for the entire transportation category without first obtaining a specific reorganization plan for the new department and the budget proposed to carry out the reorganization. Considering the magnitude of the Transportation budget (\$113.6 million in general fund money for fiscal year 1978 operations, second in size only to the Education category), and the number of permanent and capital improvement positions employed (the largest number of employees in state government with approximately 30% of the executive department's budgeted positions), it seemed that we must have a firm reorganization plan and a complete budget based on the reorganization before we could proceed with our deliberations.

In the response to my letter, Commissioner Harris, (see copy attached) attempted to indicate those areas of the budget in which he anticipated no change resulting from the creation of the Department of Transportation. These functions, namely Marine Transportation, the two international airports in Anchorage and Fairbanks, the trunk and secondary airport regional operations, and highway maintenance, are the organizational units least affected by the proposed reorganization. We have scheduled hearings in these areas and can to some degree intelligently review these budgets. However, as can be seen from the attached letter, the entire administrative structure is to be substantially changed thus leaving a vague area of administrative reorganization and related budgetary requirements. According to the Commissioner's letter, staffing charts and related infor-

mation and other items of budgetary information are to be provided by February 21. But the letter goes on to caution that throughout the budget year changes will occur and it appears that our indulgence is requested so that we might eventually "achieve a headstart on the fiscal year '79 budget". In effect, I feel we are being asked to trust the executive to do a good job on this reorganization and to tell us what they plan to do next year after they have done it.

I personally have a problem accepting the Executive Order as a proper vehicle for the completion of a governmental reorganization effort as substantial as this one creating a large new department in the executive branch of government. Let me cite some examples that highlight my concern. On January 28, the Governor introduced SB 100 requiring full legislative deliberation and passage of an Act to transfer from his office (1) the Commercial Fisheries Entry Commission to the Department of Fish and Game, (2) the Police Standards Council to the Department of Public Safety, (3) the State Geographic Board to the Department of Community & Regional Affairs, (4) the Alaska State Office in Tokyo to the Department of Commerce and Economic Development, and (5) the State Council on the Arts to the Department of Education. On the same day he introduced in the House HB 139 again requiring full legislative review and passage of an Act to transfer responsibility for the operation and regulation of weighing stations from the Department of Commerce and Economic Development to the Department of Public Safety; HB 141 transferring the trademark function from the Office of the Lieutenant Governor to the Department of Commerce and Economic Development, and HB 142 transferring the Alaska Historical Commission from the Office of the Governor to the Department of Natural Resources. The relative importance of these listed transfers is nil when compared to the creation by executive order of what is to be the largest department in state government. Yet, the Governor seems to feel that the Legislature should concern itself with deliberations on legislation

concerning these matters of governmental reorganization as opposed to more substantial matters of reorganization which he will propose by executive order -- leaving the legislature the options to either accept or reject the proposal as written.

It would be my recommendation that the Legislature does not have sufficient information regarding the proposed organization and budget or personnel requirements to approve the creation of a Department of Transportation as proposed in the Governor's Executive Order. I would therefore recommend that the Legislature (1) turn down Executive Order 39, (2) consider through the full committee deliberation process legislation to establish a Department of Transportation, and (3) assuming the Legislature approves a Department of Transportation concept, create the new department no later than July 1, 1978. (An earlier date would be possible assuming an operating reorganization plan and related budget could be reviewed and approved by the Legislature some time prior to July 1, 1978.)

## EXECUTIVE ORDER NO. 18

March 15, 1962

1. Pursuant to Sec. 23, Art. III of the Constitution of the State of Alaska, there is hereby established a Department of Highways which shall be a principal department of the state government in addition to those established pursuant to Sec. 2, Ch. 64, SLA 1959.

2. There shall be a principal executive officer of the Department of Highways to be known as the Commissioner of Highways.

3. The duties, powers, and responsibilities involved in the construction, maintenance, and operation of all state highways, roads, bridges, traffic signs and signals, and other like facilities; and in the supervision and maintenance of all state equipment, including automotive and mechanical equipment used in the exercise of such duties, powers and responsibilities conferred on the Department of Public Works by virtue of Sec. 19, Ch. 64, SLA 1959, are hereby transferred from the Department of Public Works to the Department of Highways.

4. The Division of Highways within the Department of Public Works is abolished. The Commissioner of Highways, in cooperation with the Commissioner of Public Works, shall provide for the orderly conclusion of any outstanding affairs of the Division of Highways and the transfer of any of the records, property and personnel affected by this executive order.

5. The Commissioner of Administration shall provide for the transfer of unexpended balances of appropriations, allocations and other funds of the Department of Public Works available or to be made available for use in connection with any function affected by this order as he deems necessary to carry out the provisions of this order and to implement Alaska's highway program.

6. The Commissioner of Highways shall be paid an annual salary of \$17,000.00, until otherwise provided by law.

7. Steps necessary to carry out this order shall be initiated immediately and shall continue as rapidly as possible consistent with the orderly development of Alaska's highway program. In any case, this reorganization shall be effective no later than June 30, 1963.

WILLIAM A. EGAN  
Governor

Pursuant to Sec. 23, Art. III of the Constitution of the State of Alaska, there is hereby established a Department of Highways which shall be a principal department of the state government in addition to those established pursuant to Sec. 2, Ch. 64, SLA 1959.

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# STATE OF ALASKA

## DEPARTMENT OF PUBLIC WORKS

JAY S. HAMMOND, GOVERNOR

OFFICE OF THE COMMISSIONER

POUCH Z - JUNEAU 99811  
(TELEX 45-320)

February 11, 1977

The Honorable Oral Freeman  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Representative Freeman:

In accordance with your original request of January 20, 1977, I am providing you with the necessary information on how we expect the Department of Transportation and Public Facilities to impact the Governor's FY 1978 budget.

Currently, the Governor's Fiscal Year 1978 operating budget request for the Departments of Highways and Public Works is \$130,674,300 of which \$103,314,600 is to be funded from the General Fund. Upon formation of the Department of Transportation and Public Facilities, initial savings can be expected in the areas of Administration and Support and Engineering Support. We have also found that some initial savings can be achieved in the maintenance areas of both the Department of Highways and the Department of Public Works.

Initial savings for FY '78 from the combined budgets will be approximately 1% for Administration and Support, 1.1% for Engineering Support. Additionally, we estimate a 2.4% savings from the total budgets of the combined maintenance B.R.U.'s. These figures indicate initial savings will start by the end of the first quarter of FY '78.

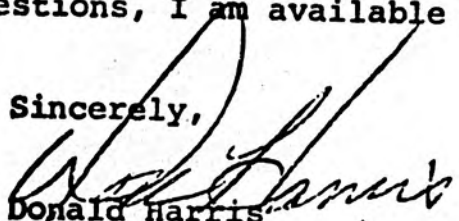
Due to consolidated equipment usage an additional \$779,000 can be cut from the FY '78 combined maintenance budgets. We also request that you transfer \$300,000 from the personal services category in the Administration and Support B.R.U., Department of Highways, to contractual services. This amount will be utilized by the Commissioner of Department of Transportation and Public Facilities to fund a transition team to assist him in implementing the final organizational structure of the DOTPF. As this is a one time cost, savings in Administration and Support will significantly increase in FY '79.

Savings in Engineering Support are not yet identifiable due to an expected increase in new federal funds for capital construction projects.

February 11, 1977

If you have any other questions, I am available at your convenience.

Sincerely,

  
Donald Harris  
Commissioner  
Department of Public Works

8 February 1977

The Honorable Donald Harris  
Commissioner  
Department of Public Works  
Pouch Z  
Juneau, Alaska 99811

Dear Commissioner Harris:

As per our conversation of yesterday I must re-emphasize that we must have the proposed Department of Transportation budget by the end of this week. The February 21st date suggested in your letter of 1 February 1977 to Rep. Oral Freeman does not give us sufficient time to consider the proposal before the expiration of the sixty day period allowed to review Executive Orders.

Very truly yours,

Hugh Malone  
Speaker

cc: The Honorable Jay Hammond  
The Honorable Oral Freeman ✓  
The Honorable Steve Cowper

# STATE OF ALASKA

## DEPARTMENT OF PUBLIC WORKS

OFFICE OF THE COMMISSIONER

POUCH 2 - JUNEAU 99811  
(TELEX 45-320)

JAY S. HAMMOND, GOVERNOR

February 1, 1977

Honorable Oral Freeman  
Alaska House of Representatives  
Capitol Building  
Juneau, Alaska 99811

Dear Representative Freeman:

The attached listing indicates budgetary components within the Transportation Category which are not expected to change materially for Fiscal Year 1978, and those that are expected to require adjustment.

We request that you start consideration of the Fiscal Year 1978 Transportation Category Budget with those listed as having no change. We will be preparing a staffing chart for the administration and engineering support functions of the new department. From this staffing chart, we will be able to provide you with information concerning financial adjustments to be made in these budgets. You will be provided the suggested adjustments and staffing patterns by February 21, 1977.

It is anticipated that throughout Fiscal Year 1978 further adjustments will become known. These changes will be reflected in our Fiscal Year 1979 and subsequent budget submissions. The review of the Fiscal Year 1978 Budget will, of course, be more difficult with these changes. However, by working as much as possible along the lines of the new department organization, we will all become more familiar with the new department, and have a head start on the Fiscal Year 1979 Budget.

If you have any questions concerning the budgets which are listed as having no changes, they should be directed through normal channels to those individuals charged with their budget responsibilities. Questions concerning the staffing proposals and changes to the other budgets should be directed to me.

Sincerely,

  
Donald Harris  
Commissioner

Attachment

COMPONENT

BRU

Unchanged

Changed

Marine Transportation

Southeast Vessel Operations  
Southeast Shore Facilities  
Southwest Vessel Operations  
Southwest Shore Facilities  
Advertising/Promotion

Administration and  
Support

.....

Anchorage Int'l Airport

Field Maintenance  
Building Maintenance  
Airport Safety  
Custodial

Equipment  
Administration

.....

Fairbanks Int'l Airport

Field Maintenance  
Building Maintenance  
Security  
Custodial  
Administration

.....

Trunk and Secondary Airports

Regional Operations

Administration

.....

Engineering - Aviation

Chief Engineer  
Planning  
Design  
Construction

.....

Administration & Support  
Aviation

Administration  
Lands & Leasing

.....

Administration - Public  
Works

Office of the Commis-  
sioner  
Division of Adminis-  
tration  
Public Facility Pro-  
curement

.....

Administration & Support  
Highways

Central District  
Interior District  
Southeast District  
Western District  
Southcentral District  
Headquarters & State  
Lab

BRU

Unchanged

Changed

Maintenance - Highways

Central District  
Interior District  
Southeast District  
Western District  
Southcentral District  
Statewide Projects

Overweight Program\*

Debt Service

Highways  
Marine Transportation  
Aviation

JAY S. HAMMOND  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 26, 1977

The Honorable Oral E. Freeman  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Representative Freeman:

I have received your request of January 20, regarding budget presentation for the transportation category.

I have referred your request, regarding the proposed budget for a Department of Transportation, to my office of Budget and Management, and they will be contacting you very shortly.

Sincerely,

A large, stylized handwritten signature of Jay S. Hammond, written in dark ink, with a long horizontal stroke and a large loop at the end.

Jay S. Hammond  
Governor



# Alaska State Legislature

## House

JUNEAU ALASKA

January 20, 1977

The Honorable Jay S. Hammond  
Governor  
State of Alaska  
Pouch A Capitol Building  
Juneau, Alaska 99811

Dear Governor Hammond:

As Chairman of the House Finance Sub-committee on Transportation, I have a problem. Basically, it is this: I have a Transportation Category budget to review that is based upon the existing organizations of the Departments of Highways and Public Works. I also have Executive Order No. 39 to review, which would substantially change the organization of the two mentioned departments. In good conscience, I cannot make an intelligent decision on either the executive order or the budget without first knowing the budget of the proposed Department of Transportation.

In the budget you presented, the Transportation category will require \$113.6 million in general fund money during FY 78, second in size only to the Education category. Public Works proposes to fund 1356 permanent-full-time and permanent-part-time positions during FY 78. Highways proposes to fund 934 such positions. This totals 2290 positions or 21% of the total positions in the Executive department. Regarding capital improvement accounts, the two departments' 1393 positions compromise 99.5% of the State's capital improvement positions. Combining the permanent and capital improvement positions, Highways and Public Works propose to fund 3683 positions or roughly 30% of the Executive department's budgeted positions. I submit that it is not reasonable to expect the Legislature to make intelligent budget decisions on these sums and this substantial number of state positions with little or no information concerning their future use or status.

The executive order prescribes that the Commissioner of Transportation shall develop annually a comprehensive transportation plan for the State. Among other requirements, this plan will be required to include the "costs and benefits" of State transportation facilities. This is fine for next year and years following. However, Section 12 of the executive

order simply states that all appropriation items made for Highways and Public Works may upon approval of the Governor be appropriately transferred to implement the purposes of this order. I think I would feel more qualified to complete my budget review responsibilities if I now had this information.

I would therefore request that the Legislature be given a full budget, complete with workbook detail for the Department of Transportation as proposed in Executive Order No. 39. Without this information, I fail to see how we can make an intelligent decision regarding either acceptance or rejection of the executive order or of the budget for the entire Transportation Category.

Respectfully,

A handwritten signature in cursive script, appearing to read "Oral E. Freeman".

Rep. Oral E. Freeman

OEF/dc

cc. Rep. S. Cowper  
Speaker Malone

67-15

D.O.T. PROPOSED BUDGETSOPERATIONS UNCHANGED BY REORGANIZATION

| <u>BRU - Component</u>                | <u>Governor's Budget Request</u> | <u>PFT &amp; PPT Positions</u> |            |
|---------------------------------------|----------------------------------|--------------------------------|------------|
| <u>MARINE TRANSPORTATION</u>          |                                  |                                |            |
| Southeast Vessel Operations           | \$28,168,900                     | 550                            |            |
| Southeast Shore Facilities            | 1,675,200                        | 22                             |            |
| Southwest Vessel Operations           | 4,721,800                        | 63                             |            |
| Southwest Shore Facilities            | 388,800                          | 6                              |            |
| Advertising/Promotion                 | 67,500                           | -                              |            |
|                                       | <u>\$35,022,200</u>              | <u>641</u>                     | (1.0%)     |
|                                       | 350,200                          |                                |            |
|                                       | <u>\$34,672,000</u>              |                                |            |
| <u>ANCHORAGE INT'L AIRPORT</u>        |                                  |                                |            |
| Field Maintenance                     | \$ 2,238,800                     | 53,700                         | 44 (2.4%)  |
| Building Maintenance                  | 1,066,800                        | 25,600                         | 24 (2.4%)  |
| Airport Safety                        | 2,195,300                        |                                | 68         |
| Custodial                             | 1,101,600                        | 26,400                         | 32 (2.4%)  |
|                                       | <u>\$ 6,602,500</u>              | <u>105,700</u>                 | <u>168</u> |
|                                       | 105,700                          |                                |            |
|                                       | <u>\$ 6,496,800</u>              |                                |            |
| <u>FAIRBANKS INT'L AIRPORT</u>        |                                  |                                |            |
| Field Maintenance                     | \$ . 926,700                     | 22,200                         | 15 (2.4%)  |
| Building Maintenance                  | 674,800                          | 16,200                         | 7 (2.4%)   |
| Security                              | 1,673,300                        |                                | 46         |
| Custodial                             | 173,800                          | 4,200                          | 6 (2.4%)   |
| Administration                        | 336,900                          | 3,400                          | 8 (1.0%)   |
|                                       | <u>\$3,785,500</u>               | <u>46,000</u>                  | <u>82</u>  |
|                                       | 46,000                           |                                |            |
|                                       | <u>\$3,739,500</u>               |                                |            |
| <u>TRUNK &amp; SECONDARY AIRPORTS</u> |                                  |                                |            |
| Regional Operations                   | \$ 9,189,700                     |                                | 110 (1.0%) |
|                                       | 91,900                           |                                |            |
|                                       | <u>\$ 9,097,800</u>              |                                |            |

OPERATIONS CHANGED BY REORGANIZATION

| <u>BRU - Component</u>                | <u>Governor's Budget Request</u> | <u>PFT &amp; PPT Positions</u> |
|---------------------------------------|----------------------------------|--------------------------------|
| <u>MARINE TRANSPORTATION</u>          |                                  |                                |
| Adm. & Support                        | \$ 1,951,500                     | 51 (1.0%)                      |
|                                       | 19,500                           |                                |
|                                       | <u>\$ 1,932,000</u>              |                                |
| <u>ANCHORAGE INT'L AIRPORT</u>        |                                  |                                |
| Equipment                             | 878,600                          | 14                             |
| Administration                        | 910,800                          | 12 (1.0%)                      |
|                                       | <u>\$1,789,400</u>               | <u>26</u>                      |
|                                       | 9,100                            |                                |
|                                       | <u>\$1,780,300</u>               |                                |
| NONE                                  |                                  |                                |
| <u>TRUNK &amp; SECONDARY AIRPORTS</u> |                                  |                                |
| Administration                        | \$ 718,600                       | 23 (1.0%)                      |
|                                       | 7,200                            |                                |
|                                       | <u>\$ 711,400</u>                |                                |

NOTE: A 1% reduction was applied to the operations budgets of Marine Transportation and Trunk and Secondary Airports per the advice of Bud Saylor, Administrative Officer, Public Works.

## D.O.T. PROPOSED BUDGETS

### OPERATIONS UNCHANGED BY REORGANIZATION

| <u>BRU - Component</u>               | <u>Governor's Budget Request</u> | <u>PFT &amp; PPT Positions</u> |
|--------------------------------------|----------------------------------|--------------------------------|
| <u>ENGINEERING - AVIATION</u>        | NONE                             |                                |
| <u>ADM.&amp;SUPPORT - AVIATION</u>   | NONE                             |                                |
| <u>ADMINISTRATION - PUBLIC WORKS</u> | NONE                             |                                |
| <u>ADM. &amp; SUPPORT - HIGHWAYS</u> | NONE                             |                                |

### OPERATIONS CHANGED BY REORGANIZATION

| <u>BRU - Component</u>               | <u>Governor's Budget Request</u> | <u>PFT &amp; PPT Positions</u> |
|--------------------------------------|----------------------------------|--------------------------------|
| <u>ENGINEERING - AVIATION</u>        |                                  |                                |
| Chief Engineer                       | \$ 148,100                       | 3                              |
| Planning                             | 151,900                          | 4                              |
| Design                               | 219,100                          | 5                              |
| Construction                         | 152,700                          | 4                              |
|                                      | <u>\$ 671,800</u>                | <u>16 (1.1%)</u>               |
|                                      | 7,400                            |                                |
|                                      | \$ 664,400                       |                                |
| <u>ADM. &amp; SUPPORT - AVIATION</u> |                                  |                                |
| Administration                       | \$ 719,400                       | 13                             |
| Lands & Leasing                      | 339,800                          | 14                             |
|                                      | <u>\$1,059,200</u>               | <u>27 (1.0%)</u>               |
|                                      | 10,600                           |                                |
|                                      | \$1,048,600                      |                                |
| <u>ADMINISTRATION - PUBLIC WORKS</u> |                                  |                                |
| Office of Commissioner               | \$ 334,200                       | 7                              |
| Div. of Administration               | 981,200                          | 39                             |
| Public Facility Procurement          | 306,900                          | 6                              |
|                                      | <u>\$1,622,300</u>               | <u>52 (1.0%)</u>               |
|                                      | 16,200                           |                                |
|                                      | \$1,606,100                      |                                |
| <u>ADM. &amp; SUPPORT - HIGHWAYS</u> |                                  |                                |
| Central District                     | \$1,162,200                      | 36 (1.0%)                      |
| Interior District                    | 1,101,900                        | 33 (1.0%)                      |
| Southeast District                   | 678,400                          | 21 (1.0%)                      |
| Western District                     | 248,900                          | 6 (1.0%)                       |
| Southcentral District                | 700,600                          | 23 (1.0%)                      |
| Headquarters & State Lab             | 3,742,900                        | 97 (1.1%)                      |
|                                      | <u>\$7,634,900</u>               | <u>216</u>                     |
|                                      | 80,100                           |                                |
|                                      | \$7,554,800                      |                                |

### D.O.T. PROPOSED BUDGETS

### OPERATIONS UNCHANGED BY REORGANIZATION

| <u>BRU - Component</u>        | <u>Governor's Budget Request</u> | <u>PFT &amp; PPT Positions</u> |
|-------------------------------|----------------------------------|--------------------------------|
| <u>MAINTENANCE - HIGHWAYS</u> |                                  |                                |
| Central District              | \$15,588,600                     | 194                            |
| Interior District             | 10,231,200                       | 149                            |
| Southeast District            | 5,433,800                        | 67                             |
| Western District              | 2,004,000                        | 34                             |
| Southcentral District         | 6,704,300                        | 94                             |
|                               | <u>\$39,961,900</u>              | <u>538 (2.4%)</u>              |
|                               | 959,100                          |                                |
| <u>DEBT SERVICE</u>           | <u>\$39,002,800</u>              |                                |
| Highways                      | \$ 9,934,100                     | --                             |
| Marine Transportation         | 4,249,500                        | --                             |
| Aviation                      | 7,478,400                        | --                             |
|                               | <u>\$21,662,000</u>              |                                |
| <b>TOTALS:</b>                | <u><b>\$116,223,800</b></u>      | <u><b>1,539</b></u>            |

### OPERATIONS CHANGED BY REORGANIZATION

| <u>BRU - Component</u>        | <u>Governor's Budget Request</u> | <u>PFT &amp; PPT Positions</u> |
|-------------------------------|----------------------------------|--------------------------------|
| <u>MAINTENANCE - HIGHWAYS</u> |                                  |                                |
| Overweight Program            | \$ 380,900                       | 9                              |
| <br>                          |                                  |                                |
| <u>DEBT SERVICE</u>           |                                  |                                |
| NONE                          |                                  |                                |
|                               | <u>\$15,828,600</u>              | <u>420</u>                     |

Tape #: H 77-10

RECORDER LOG

Date: 2-14-77

Beg. #: 0730

Time: 1:35

End #: H 77-11 0097

Page: 1

General Subject: University of Alaska -- Budget Overview

Present: Representatives Cowper, Duncan, Rhode, Haugen, Guy, Schaeffer, Meekins, Swanson, Buchholdt, Freeman, Bradley, Malone, Smith, McKinnon

Others: Jim Rhode, Assistant to Rep. Cowper; Merle Jensen, Deputy Legislative Auditor, Glen Vernon, Legislative Finance; Dr. Hiatt, President, U of A; Maurice Arthe, Executive Vice President, U of A; Dr. Mather, Vice President for Research, U of A; Dave Scott, Budget Analyst, U of A; Tom Custer, Assistant Attorney General; A. B. Frol, Director of Administrative Services, U of A; Dr. Cutler, Chancellor, Fairbanks campus, U of A.

| Log # | Description                                                                                                                      |
|-------|----------------------------------------------------------------------------------------------------------------------------------|
| 0730  | The meeting was called to order at 1:35 by Chairman Cowper.                                                                      |
| 0738  | Cowper: Statement of purpose of meeting. Request for presentation of U of A, explanation of order and agenda of meeting.         |
| 0806  | Hiatt: Plans for presentation.                                                                                                   |
| 0852  | Hiatt: Major organizational changes - Anchorage campus reorganized to put in line as a university. No more supermarket approach. |
| 0882  | Hiatt: Retirement of Vice President of Research. Transfer to Fairbanks campus.                                                   |
| 0903  | Hiatt: Step-type salary system removes inequities.                                                                               |
| 0918  | Hiatt: Salary increases meet target for academic salaries; meet with comparable base in lower 48. This is a major step forward.  |
| 0945  | Hiatt: Total personnel on appropriate salary schedules.                                                                          |
| 0952  | Budget increases into salaries rather than program advances.                                                                     |
| 0956  | Student credit hours for '78 are based on actual '77 figures. This was done to make budget more conservative.                    |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                          |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0990  | Hiatt: Areas of special emphasis in this year's budget.                                                                                                                              |
| 1006  | Regents feel that any advances can only be made by terminating other services.<br>Regents are against eliminations of current programs.                                              |
| 1028  | Dislike having any unit stand still. Decisions based on academic development<br>plan. Insufficient funds for forward movement.                                                       |
| 1061  | Overview of campus concerns. Anchorage campus supported to move toward university<br>status. 1/3 full time, 2/3 part time was faculty ratio.                                         |
| 1087  | At Fairbanks 3/4 of staff are full time. That provides quality.                                                                                                                      |
| 1100  | In order to move to 50:50 it would take maintenance column as well as change<br>column.                                                                                              |
| 1113  | Anchorage campus emphasis -- Anchorage is business center, so business emphasis.                                                                                                     |
| 1127  | U of A Southeast - Additional staff help to provide instruction to small towns.<br>New career education facilities require staffing.                                                 |
| 1147  | Fairbanks campus is mainly catching up.                                                                                                                                              |
| 1167  | Rural communities educational growth.                                                                                                                                                |
| 1185  | Stabilize fiscal management in community colleges.                                                                                                                                   |
| 1200  | Research BRU is a stand still budget.                                                                                                                                                |
| 1209  | Zero base budgeting formulae - only can go a fraction of the way because of<br>lack of funds. Libraries and building maintenance only budgeted a fraction of what<br>they should be. |
| 1236  | Management support is out of balance; therefore, it's falling apart. This<br>budget represents a substantial increase.                                                               |
| 258   | Request funds for boost in power in management positions.                                                                                                                            |
| 1268  | Need for a person to handle collective bargaining.                                                                                                                                   |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                     |
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| 1275  | Hiatt: Computer network development is on schedule. Request for more strength in processing unit.                                                                                                                                                                                                                               |
| 1299  | Problems in fiscal system not due to machinery. Computer network contracted out.                                                                                                                                                                                                                                                |
| 1313  | Program Commitments                                                                                                                                                                                                                                                                                                             |
| 1317  | WAMI - Four-state cooperative program cooperating with U of W Med School to provide medical training. Ran experimentally successfully. Buying into U of W Med School @ 10 spaces per year. Selection made by Alaskans. Requesting money for third year. By then 40 guaranteed Alaskans in Med School for less than \$1,000,000. |
| 1363  | Kellogg Program - Train rural leaders in how to function in policy development.                                                                                                                                                                                                                                                 |
| 1389  | Cowper: Request for explanation of cash flow problem.                                                                                                                                                                                                                                                                           |
| 1408  | Hiatt: No financial expertise.                                                                                                                                                                                                                                                                                                  |
| 1423  | University accounting system has been "not that good" for many years.                                                                                                                                                                                                                                                           |
| 1436  | Statewide system was expanded, became less useful.                                                                                                                                                                                                                                                                              |
| 1443  | Two years ago payroll system began to falter. Regents approved and legislature supplied funding for firm to study financial problems.                                                                                                                                                                                           |
| 1471  | Misinformed as to the speed required to bring up systems. First one was payroll system. It didn't work, so hand pay was necessary. The whole business office was on the problem of payroll. It took July - December to bring the system up.                                                                                     |
| 1506  | Quarterly status reports - 6-7 months lost in getting out status reports. Limits ability to get federal grants.                                                                                                                                                                                                                 |
| 1526  | Status report necessary before getting billing out. At any one time \$40 million is tied up. Billings just now being made for first quarter.                                                                                                                                                                                    |
| 1551  | University cash flow problems. Several years ago legislature provided \$1.25 million for working capital fund. Cash assembled in checking account. By manipulating                                                                                                                                                              |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                       |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | cash account, University was able to solve it's cash flow problems.                                                                                                                               |
| 1606  | Hiatt: Report of problems to Administration, Legislature and request for them to solve problem. One solution was to turn receivables to Treasury account and draw from their account.             |
| 1634  | Statement by Commissioner of Administration about borrowing on Teachers Retirement Fund. Commissioner Allen indicated auditor should look at solvency of grants.                                  |
| 1657  | Short \$10 million and not all at once.                                                                                                                                                           |
| 1664  | Cowper: Labor distribution reports not made up since '76. Were they available?                                                                                                                    |
| 1678  | Hiatt: Labor distribution reports have been made. In catch-up process, but can't catch up this year.                                                                                              |
| 1721  | Malone: Why delay in billing? Payroll couldn't produce time card.                                                                                                                                 |
| 1732  | Malone: Question on time sheet process. Hiatt: Computer programming didn't allow for multiplication.                                                                                              |
| 1754  | Malone: How long from work done to report. Hiatt: In July, 2 1/2 months, now 2 weeks.                                                                                                             |
| 1784  | Cowper: Old payroll system should have been run in parallel with new system. Wasn't this expected? Should they be paid? Hiatt: University didn't go that far. The system should have been tested. |
| 1813  | Meekins: What information is needed for reports. Mather: Labor distribution is critical.                                                                                                          |
| 1837  | Freeman: Time frame for reporting work before the computer. How long did it take to find you weren't getting information.                                                                         |
| 1853  | Hiatt: Time was for developing program, not for recognizing system wasn't working.                                                                                                                |
| 1862  | Haugen: Question on lack of cash on hand and line of credit. General fund appropriation notadequate for cash flow.                                                                                |

General Subject: University of Alaska

| Log # | Description                                                                                                                                     |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 1896  | Haugen: How long has there been a payroll problem? Hiatt: Cash flow has always been a problem.                                                  |
| 1904  | Haugen: Problems paying personnel. Hiatt: response.                                                                                             |
| 1922  | Haugen: Cost to state for consultants to develop system. Hiatt: \$1.2 million.                                                                  |
| 1931  | Hiatt: They're behind, will have work schedule by 2/22. They've had personnel problems.                                                         |
| 1948  | Student information system.                                                                                                                     |
| 1961  | Hiatt: From month to month sometimes cash balance in capital account. The excess was sometimes used.                                            |
| 1988  | Cowper: Who has knowledge of this? Hiatt: Mr. Hullinger does.                                                                                   |
| 2002  | Rhode: What's accounts receivable in number. Hiatt: Around 800.<br>Rhode: Does University have a sufficient research staff to carry out grants. |
| 2021  | Hiatt: U of A has a large staff and competes well for contracts. \$40 million in contracts. Others our size have \$7-8 million.                 |
| 2037  | Mather: Success ratio of 75% of proposals being accepted.                                                                                       |
| 2046  | Rhode: University drifting toward research center.                                                                                              |
| 2053  | Buchholdt: Times when money has come from certain accounts and not put back in that account.                                                    |
| 2070  | Buchholdt: Some programs funded, but those programs never got all they expected.                                                                |
| 2083  | Guy: Funding switchines. Only now being made known to legislature.                                                                              |
| 2104  | Hiatt: This doesn't imply use of funds budgeted for any other purpose. The University is in business, but has no working capital.               |
| 2121  | Guy: Construction funds for a particular project in rural areas was decreased, which made it most difficult.                                    |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                 |
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| 2142  | Arth: In usual business a cash account is maintained. All funds put in a common bank account. Construction account funds go there too. The practice is common and represents efficient use. |
| 2182  | Bradley: Is there bond money in capital account? Hiatt: State draws down for one month and look to two months.                                                                              |
| 2197  | Bradley: It's unconstitutional to dip into bond funds. What can be done with them?                                                                                                          |
| 2208  | Custer: Funds can't be used for other than capital projects.                                                                                                                                |
| 2219  | Hiatt: Regents didn't know how money was being used.                                                                                                                                        |
| 2241  | Meekins: U of A should establish a line of credit with its contract receipts.                                                                                                               |
| 2262  | Freeman: How much are accounts receivable?                                                                                                                                                  |
| 2272  | Hiatt: \$1.5 million at the end of year. \$10 million deficit.                                                                                                                              |
| 2280  | Freeman: Why doesn't U of A borrow from banks.                                                                                                                                              |
| 2284  | Hiatt: Commissioner of Administration suggested that. Awaiting AGs opinion.                                                                                                                 |
| 2293  | Freeman: U of A is doing other things not accepted under law, why not this?                                                                                                                 |
| 2303  | Hiatt: We must get AGs opinion. They say legislation is required. They think we should turn over receivables and draw on them.                                                              |
| 2318  | Cowper: U of A has recently written checks that bounce. Explanation?                                                                                                                        |
| 2325  | Hiatt: \$1 million in bank. Bank could transfer from account to ready cash but didn't.                                                                                                      |
| 2341  | Cowper: That's not instance reported to me.                                                                                                                                                 |
| 2347  | Cowper: After SCT designed payroll system, the U of A changed assumptions which delayed things. Why?                                                                                        |
| 2357  | Hiatt: Changing to a bi-weekly pay schedule. Staff disliked idea. Decided to wait. Programmers had to reprogram to monthly schedule again.                                                  |



General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| 0120  | Chmn. Cowper explained to the Committee that Dr. Hiatt had to catch a plane in twenty minutes. Any members with further questions of Dr. Hiatt should keep this in mind.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|       | Rep. Rhode: Ques - Do you feel that the adverse criticism will have any effect on future contracts? Ans: No, I don't think so.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|       | Discussion re availability of Mr. Hullinger.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 0214  | Questions and answers by Rep. Meekins to Dr. Hiatt re comingling of endowments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 0250  | Rep. Cowper asked for further questions by members of the Committee or other Legislators present of Dr. Hiatt. There being none, Dr. Hiatt was thanked and he left the meeting at 3:42 p.m.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 0300  | Mr. Arth, Executive Vice President. Explanation of position and its duties. Discussion of Statewide Changes: [Page 10, Yellow Book] Increased monies requested - \$162,000 for five positions= 3 professional accounting, 2 clerical. The University's system has been criticized for lack of enough professional accounting people on staff for size of the system. Increase requested - Facilities planning and construction - \$215,000 to pay for five more people in Mr. Garrison's department. Transfer of General Funds - 3 Senior Facilities Planners (one for each campus in the state). Insurance - monies needed for insuring the new buildings in the FY 78 represents increase in premiums. |
|       | Request for \$175,000 between maintenance and change collocations for monies to carry out change and develop more efficient systems.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                 |
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|       | [Rep. Rhode left meeting at 3:55]                                                                                                                                                                                                                                                                                                                                                           |
| 0558  | \$58,000 Personnel Department Budget - to provide for professional contract administrator. University needs a professional for dealing with the bargaining units.                                                                                                                                                                                                                           |
|       | Public Relations Development Office - funding for 1/2 position (other 1/2 to be funded by General Fund) for a person to make the necessary contacts for out-of-state funding programs.                                                                                                                                                                                                      |
|       | No increase in Management Systems Development from present budget.                                                                                                                                                                                                                                                                                                                          |
|       | Computer Center - Change total of \$1.16 million. Includes increase in workload item of \$176,000 and change item of \$182,000. Seems to be the intent to pay for Assistant Programmer in Fairbanks, Computer Operator in Anchorage, and Entry Operator in Fairbanks. Includes first payment on lease-option arrangement for central processor to increase processing ability during FY 78. |
|       | Non-statewide budget matters - \$871,420 Community Colleges - movement of professional staff to new salaries levels.                                                                                                                                                                                                                                                                        |
|       | Land Management Budget - \$100,500 includes \$15,000 for workload budget.                                                                                                                                                                                                                                                                                                                   |
|       | Comment by Mr. Arth- If you set aside the funds for FY78, we are asking for approximately 5% of the Statewide Budget for the administrative and computer systems.                                                                                                                                                                                                                           |
| 0742  | Rep. Cowper commented regarding the suggested feasibility of directing the University away from a statewide administrative staff. Mr. Arth's reply was that it is his opinion that it is not a feasible solution and that it would cost more money to do it that way. It is inconceivable                                                                                                   |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                   |
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|       | to Mr. Arth that the computer field could be run at the same or lower figure than what it is now.                                                                                                                                                                                                                                                                                             |
|       | Question requesting Mr. Arth's opinion of the efficiency of the present accounting system. Explanation of problems and opinion of Mr. Arth that the system will work well once it is caught up. Will be still somewhat behind through the Summer, but will get caught up.                                                                                                                     |
| 0968  | Rep. Meekins commented regarding regionalization. Mr. Arth expressed his opinion as to regionalization and that it seems "madness to disintegrate the institution and split the authority and responsibility".                                                                                                                                                                                |
| 0970  | Discussion.                                                                                                                                                                                                                                                                                                                                                                                   |
| 1025  | Dr. Mather gave explanation as to the history of the administration. Comments regarding Dr. Hiatt's position.                                                                                                                                                                                                                                                                                 |
| 1072  | Comment by Rep. Cowper as to the public feeling that the University is not being run very well and the responsibility of the Legislature to consider the matter and take some sort of action in an effort to resolve some of the problems. Cited the closing of the libraries two hours during the day as an example of decisions made which don't seem in the best interest of the students. |
|       | Dr. Cutler responded that it was the director of the library on his campus that made the decision based on a charting out of actual use of the library and funds available. Funds were reallocated by the Regents to the campus. Rep. Cowper replied that he believed the problem was                                                                                                         |
| 54    | the budget. Dr. Cutler said that the library was a part of the uncommitted funds portion of the budget. It was the director's decision to                                                                                                                                                                                                                                                     |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                        |
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|       | make the cut.                                                                                                                                                                                                                                                                                                                                                                      |
| 1170  | Rep. Meekins inquired regarding instructional budget basis. How is double counting avoided when using formulas? Mr. Scott responded - Do not use head count, use actual student earned credits.                                                                                                                                                                                    |
|       | Chm. Cowper asked the committee members to contain their questions to the administrative budget and not statewide policy.                                                                                                                                                                                                                                                          |
|       | Questions and answers regarding the use of money from the state.                                                                                                                                                                                                                                                                                                                   |
|       | Procedure of putting the money into primary bank account and using it to pay obligations when they arise. They draw down more than needed and invest on a short-term basis. The interest earned shows up as a source of income on the budget. Referred to Statewide Budget figures of \$652,000 for program receipts, \$250,000 of that is estimated income from deposit balances. |
| 1268  | Rep. Cowper asked regarding responsibility of approval of checks.                                                                                                                                                                                                                                                                                                                  |
|       | Mr. Frol explained that checks are authorized by any document indicating the university owes money. They are usually computer processed. Sometimes handwritten checks are used because of time lag when computer is used. Ques: how are handwritten checks reconciled? Ans: They are written against the central account. Central Accounting gets the computer report.             |
|       | Mr. Arth explained the usual procedure of notifying central accounting 3 days prior to writing a check of \$50,000 or more in order to cover the amount in the bank. The bank failed to transfer funds from the investment account to the checking account as per agreed causing some                                                                                              |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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|       | checks to bounce. Ques: Is it correct that of all the bounced checks that was the problem? Mr. Arth: To my knowledge that was the only problem. Question regarding knowledge of these agreements with the banks. Answer: Mr. Arth, Mr. Hullinger, and Mr. Miller.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 1391  | Rep. Cowper- Ques: What other accounts does the University system have? Ans: Long list of petty cash accounts throughout the State. Specific agreements between the banks and the University. Ques: Does Mr. Miller have knowledge of these matters? Ans: I think he will have the answers. Ques: How large are the petty cash accounts? Answer by Mr. Frol: Regular operation - \$10,000-20,000. Ques regarding assurance of proper expenditure of money. Answer by Mr. Frol.                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 1438  | Rep. Freeman commented on the appearance of the University being rather disorganized and his confidence that it is not as bad as it seems. Ques: How many people are authorized to write checks? Ans: The Board of Regents has approved the terms and authorized signatures. Rep. Freeman said he really meant the question to mean how many people are authorized to write large checks such as \$100,000? Answer by Mr. Garrison: On the major campuses the signature is a dye. Only one person has access to that dye. Ques: Does this same person know how much money is in the bank? Ans: The central accounting knows. The responsibility is placed on the fiscal officer in each office and it takes the approval of the Board of Regents to authorize anyone else to write checks. Ques: How is it kept straight how much is in the account when each check is written at the various places around the |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                     |
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|       | state? Ans: The person writing the check advises the central accounting of any large checks written.                                                                                                                                                                                                                                            |
| 1531  | Rep. Cowper said the question is whether the check coincides with whatever account it is directed to. How do you keep track of those checks? Does central accounting enter that check immediately in whatever classification it uses? Ans: They do that immediately. Right now they are behind. It is allocated to the account that it goes to. |
| 1558  | Rep. Meekins - Ques: Is the computer in Anchorage going to be shut down and are they then going to be programming into the computer with the problems? Ans: The problem is not the computer. It is impractical to be using both computers. The records must be centralized.                                                                     |
|       | Dr. Mather commented regarding nature of real problem. Not the person writing checks, but the appropriations.                                                                                                                                                                                                                                   |
| 1610  | Question by Rep. Cowper regarding report that students were not receiving grades in a timely manner.                                                                                                                                                                                                                                            |
|       | Ans: Jane Demmert - REA Central Support, U of A-Fairbanks - As a general trend that particular problem is nonexistent. Have just gone into a new system that is working well.                                                                                                                                                                   |
|       | Rep. Meekins - Ques: regarding Anchorage system being run into the Fairbanks system. Ans: They must carry their share of the burden of labor distributions. Both systems are supporting them now. Removing their computer does not mean that they will lose their efficiency.                                                                   |
| 77    | Rep. Cowper - Reference to Status Report - Essentially, it says in the memorandum that the old system should be maintained until the                                                                                                                                                                                                            |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                              |
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|       | new system is working. It appears that they agreed to leave the two systems parallel. Mr. Arth: Are you reading about the payroll management system? Answer by Rep. Cowper: Payroll Module. Comments regarding the manner the systems were run in. Reference to the U of A Information Letter of February 25, 1975, page 5. Question regarding the disposition of funds? |
| 1737  | Rep. Meekins- Ques: Are there any other problems that you know about that are going to come up later? Anything that we might want to take into consideration?                                                                                                                                                                                                            |
|       | Mr. Arth replied that the payroll module is now working well. The SET has several months of information to run off, but it is not related to financial systems. Budget module also should be ready to be incorporated in a few weeks. Will then be able to make status reports for the budget.                                                                           |
| 1769  | Rep. Buchholdt-Ques: With reference to rumors regarding "slush fund" and petty cash amounts is there some way they can find out where the accounts are and who has authority to use them, etc?                                                                                                                                                                           |
|       | Chmn. Cowper responded that Mr. Miller would be here the following day and that he should have those answers if Mr. Arth does not.                                                                                                                                                                                                                                       |
|       | Mr. Arth commented that small accounts must be allocated for the rural places for necessary funds in the field operations without delay.                                                                                                                                                                                                                                 |
|       | Rep. Cowper - Ques: When are the W-2 forms going to be available to the employees? Ans: They were printed over last weekend and are going out now. They should be received around the 15th of this month.                                                                                                                                                                |



HOUSE FINANCE COMMITTEE  
Monday, February 14, 1977  
1:35 p.m.

All Committee members were present except Rep. Gruening. Brian Rogers, AA to Rep. Gruening, attended in Rep. Gruening's absence.

*Present*

Also present were Speaker of the House Hugh Malone, Representatives, Bradley, Kelly, Nakak, and Senator Hackney; R. W. Hiatt, President, University of Alaska, Maurice P. Arth, Exec. V.Pres., U of A, Mildred Banfield, Regent, U of A, Foster Diebold, Exec. Sec. Board of Regents, other Directors, Chancellors, and Staff Members of U of A; Legislative Auditors, Budget Analysts, members of the Press, students and interested citizens, as per attached list circulated for the record.

Chairman Cowper opened the meeting at 1:35 p.m. giving a brief statement of the purpose of the meeting and procedure to be followed as to presentation and questions. Chmn. Cowper introduced Dr. Hiatt.

*Purpose of Meeting*

Dr. Hiatt said that he would give a brief overview of the University's current budget and the matters that have been brought to the legislature's attention in the past few weeks. He introduced Mrs. Banfield who is a member of the Board of Regents and other members of the administrative staff present. [See above and attached list.]

Dr. Hiatt's overview of the general approach in budget:

*Dr. Hiatt - Overview*

1. Major organizational changes.
  - A. Anchorage facilities - concern was to upgrade to regular university status.
  - B. Research units transferred to the administration of the Fairbanks campus.
  - C. Salary increases removing inequities of merit system.
    - (1) Brought Anchorage instructors comparable salaries to those in the lower 48.
    - (2) Cost of living increases should be all that will be necessary to keep those salaries current from now on.
  - D. Increased budget actually went into personnel salaries and very little into program advancement. Programs were run only on maintenance level.
- FY'78 Budget -
  1. Student credit hours
    - A. Based on actual number of hours signed up for.

- B. Previously based on estimated and projected figures.
  - C. Should provide for more conservative budget.
- FY'78 Budget -
- 2. 12% of current (FY'77) budget.
    - A. Leaves small amount left over with which to work on programs.
    - B. Regents feel that any further services such as extension services can only be met by eliminating other services on current budget.
    - C. Change decisions based on development plan presented in early 1975.
      - (1) What units would move ahead this year and which units would stand still.
      - (2) Insufficient funds to do all at once.
      - (3) Creates morale problems.
        - a. Anchorage campus would be given support to move to full university status.
        - b. Deans must be appointed.
      - (4) Academic Development Plans call for Anchorage to emphasize business, public administration, and health sciences.
    - D. Southeast
      - (1) Additional counselors and instructors needed in some areas.
      - (2) New career education facilities coming up.
    - E. Fairbanks
      - (1) Unable to provide much for growth.
      - (2) Funds will go primarily to patching up.
      - (3) Power and utilities bills greatly increased - gone up over 200% this past year.
    - F. Rural Education
      - (1) Hope to provide regional learning centers in areas where no community college exists.
      - (2) Improving rural centers.
    - G. Community Colleges
      - (1) Fiscal management, personnel and student support.
      - (2) Have grown a great deal in the last two years and need strengthening of supporting staff.
    - H. Research BRU
      - (1) Tried to institute formula.
      - (2) Found they could only go a fraction of what the formula had indicated.
    - I. Management Support
      - (1) Way out of balance because of funds going into instructional programs around the state instead of the fiscal management programs.

- (2) This budget requests substantial increase.
- (3) Due to lack of funds for the professional accounting help needed, reorganization of management was unsuccessful.
- (4) Reorganization was to remedy problems created by past organization.
- J. Professional Contract Administrator
  - (1) Needed primarily for collective bargaining contracts.
  - (2) Requested last year, but not funded.
  - (3) Requesting again this year.
- K. Computer Information
  - (1) So much in demand, can't keep up.
  - (2) Requesting strengthening in Central processing service area and reserve in case of computer breakdown again.
  - (3) Fiscal problems not due to the computer network equipment.
  - (4) Computer network development contracted out.
- 3. Special Program Commitments
  - A. WAMI
    - (1) Four-state cooperative program
    - (2) Cooperating with University of Washington Medical School to provide medical training.
      - a. Program ran successfully for the first two years.
      - b. Agreement with UofW to buy 10 spaces per year in the medical school for Alaska students. Spaces selected by Alaskans.
      - c. Requested \$210,000 for a third year of program.
      - d. By the last year of the program there will be 40 guaranteed spaces reserved for Alaskans in the med. school for less than \$1 Million.
  - B. KELLOGG Program
    - (1) Requesting monies to train rural leaders in how to function -
      - a. Role in policy advisory committees
      - b. Development of delivery programs
      - c. Have a match for \$183,000 and a match for the following year
      - d. Program will probably be picked up by municipalities

Dr. Hiatt thanked the Finance Committee for the consideration of the University's budget requests and introduced Mr. Dave Scott who would make a further presentation and explanation of the Budget.

Chairman Cowper requested that Dr. Hiatt go into the fiscal disabilities of the University indicating that they would hear Mr. Scott's presentation at a later time.

Dr. Hiatt said that he is not a financial expert but that he would attempt to explain the University's cash flow problem.

CASH FLOW  
PROBLEM

Explanation: Historical background

1. Inadequate accounting system

- A. Set up for smaller system
- B. Rate of expansion of system incapable of keeping up with actual growth
- C. Payroll system began to falter
- D. Regents approved and Legislature supplied funding for University to employ firm to study the problem and bring up to date some of the various information systems
  - (1) The employed firm decided to bring up several systems at one time instead of one at a time.
  - (2) U of A was misinformed as to the speed at which this could be done.

E. Result -

- (1) First system brought up was payroll system
- (2) Abandoned the old one and started new one
- (3) System did not work
- (4) Almost whole business office had to then do the payroll manually
- (5) Took six months to work out this first problem
- (6) Next system to be brought up was General Ledger
  - a. Because of delays and impact of faltering payroll system, they could not make the necessary adjustments to General Ledger
- (7) Decided to try to work a compromised system of the old and new
  - a. Took July to December to bring system up

F. Quarterly status reports

- (1) Six to seven months behind due to foul up in payroll and general ledger systems
  - a. First report for July, August & September out
  - b. Second report due out at end of this month (Feb.)
  - c. After third report due out around April, will be caught up
- (2) Loss of status reports severely hindered ability to get federal grants and to make budget
  - a. Must receive status reports before billings can be sent out
  - b. Takes on the average 45 days between time of receiving status reports and receipt of monies from billings
    - i. Can tie up \$3 to 4 Million at any one time
  - c. Just now making billings for first quarter
  - d. Will be close to the end of the year before they can get back to monthly billing due to lateness of status reports

2. Cash flow problem

- A. Drawn down monies of general funds throughout the years and utilized the working capital fund provided by the Legislature in an amount of \$1.25 Million
- B. Lost monthly drawdowns from construction projects not yet billed out
- C. Cash assembled in checking account with other funds available at the time, even by not paying billings - by manipulating cash accounts
- D. Receivables will bring in roughly \$15 Million by end of the year
- E. Cash flow problem at end of year before receivables come in would be roughly \$10 Million, thus, upon receipt of the \$15 Million receivables there would no longer be a problem
- F. Brought cash flow problem to the Administration and Legislature for help in solving
  - (1) Administration suggested possibly turning over receivables to the State Treasury
  - (2) Roughly \$3 Million a month of receivables not coming in
    - (a) Partially due to lateness of status reports
    - (b) Unable to bill
  - (3) University not aware before that they could turn their funds over to the State Treasury
  - (4) Attorney General's Office said that it was probably illegal and legislation would be necessary

Dr. Hiatt ended his explanation of the cash flow problem by stating that they are not \$25 million off as reported around, but are going to be about \$10 million off stretched over a period of several months.

*End of  
Dr. Hiatt's  
Presentation*

Chairman Cowper said that it had been reported to him that labor distribution reports had not been made up since October, 1976. Billing does not go out until receiving the labor distribution reports. Are they available to you now?

Dr. Hiatt replied that those labor distribution reports have been made. They came out at the first of the year. They are billed through the December 22 payroll.

*Labor Distribution  
Reports*

Speaker Hugh Malone inquired of Dr. Hiatt the reason for the delay in billing. Dr. Hiatt replied that because of the fouled up payroll system time cards (labor distribution reports need time cards) were not produced.

Rep. Malone requested Dr. Hiatt to explain labor distribution program. Explanation of labor distribution program: Research scientists or technicians record their time on time sheets. Time sheets are processed to time tickets for the account

for the particular project. After the project is completed, the University bills according to the time spent on that project.

Rep. Malone asked why there would be any delay in that process. Answer: Program not capable of processing time card and payroll distribution. The payroll system has been fouled up for about six months. Rep. Malone asked for further explanation re labor distribution, time sheets and the computer. Answer: Time sheets report number of hours to the computer. The computer looks up the rate, etc., and that information appears in the status reports. The computer processing is where the problem was and not with the paying program. The programming in the computer was fouled up for approximately six months.

*Payroll  
Process-  
Computer  
Foul-up*

Rep. Malone asked how long it was taking them to go through this cycle? Answer: In July - 2 1/2 months, in September - 2 weeks.

Chmn. Cowper asked Dr. Hiatt if it is not a usual business practice to continue the old system until the new system is proven out? Dr. Hiatt responded that they should be run parallel, but that the systems development company chose not to do so. Chmn. Cowper commented on the general practice and custom of running the systems parallel until the "bugs" are worked out of the new one and asked if any one had checked on legal implications of the company and whether they should be paid. Dr. Hiatt said that it had not been looked into yet. That the University felt that they should get on with the program and not slow it down by pursuing implications questions at that time. They felt the priority was to get the systems operable.

Rep. Meekins inquired regarding labor distribution program. Dr. Mather replied: A man may work on a variety of projects. Labor distribution breaks the time down into the various programs before they can be billed out.

Rep. Freeman asked what kind of time frame would be needed before it was found out they weren't getting the information they were supposed to be getting under normal circumstances. Dr. Hiatt answered that it normally takes no time at all. The problem is in getting it. Rep. Freeman asked if it would take up to now to get that information. Dr. Hiatt answered that it took that long to develop the programming for getting that information.

Rep. Haugen inquired regarding charges made against different programs and lack of cash on hand. Dr. Hiatt explained that different programs are funded differently. General fund appropriation not adequate for cash flow.

Rep. Haugen inquired re method of payment to different organizations that labor is done for. Dr. Hiatt replied that some they are required to spend the money and then bill them - contract work. Most operate on whatever cash they have available

before they receive monies from the organizations they are doing the work for.

Rep. Haugen asked if there is any problem in paying the personnel. Dr. Hiatt responded that there was a problem from July 1 to end of December.

Rep. Haugen asked how much it cost for the computer system. Dr. Hiatt replied that the total amount was projected for across three years at \$1.2 million.

*Cost of  
Computer  
System*

Rep. Haugen asked if the University was satisfied with the job the firm had done. Dr. Hiatt replied that they were. He said that they are a little behind. The firm had been having numerous personnel difficulties of their own; a large turnover in their own staff. He said some systems have been brought up. For example, the budget module, student information system works very well also, to his knowledge. Rep. Haugen asked if Dr. Hiatt would say that in order to maintain their cash flow they were using capital management monies. Dr. Hiatt replied that the University anticipated what it would need for the next two months every month for the bills they thought they would have to pay on construction accounts. From month to month there was sometimes a cash balance in the capital account. Account records were kept separately but done from one cash account. Considered to be a normal practice. When they are drawing cash they don't know whether they are drawing capital cash, working funds cash, etc. Chmn. Cowper asked if there is anyone who can tell them about this other than Mr. Hollinger. Dr. Hiatt replied that Mr. Hollinger is the most knowledgeable on the subject but that Larry Miller would be appearing before them the next day and had a better knowledge than he does himself.

Rep. Rhode asked how many accounts receivables in number there are for contracts that are still outstanding. Answer: 800. Question: Does the University have any problem in securing contracts? Answer: No problem. Question: Do you think the University has at present time a sufficient research staff to handle these contracts? Answer: They have a large staff and compete well for contracts. They have about \$40 million in contracts, others their size have \$7-8million. It puts a big strain on the University in one aspect because these contracts (many of them) have to be billed before they get their money back.

*Accounts  
Receivables*

Dr. Mather said that the University accepts 75% of proposed research contracts. That is a very large program for their size.

*Research  
Contracts*

Rep. Rhode commented that he had heard that the University is becoming more of a research center than anything else.

Rep. Buchholdt asked if there is a tendency to take monies from certain programs and not use it for that program or returned to that account. Dr. Hiatt replied that the way

*Use of  
Appropriations*

the accounts are set up the cash is available in the fund accounting system to spend on whatever purpose they see fit.

Rep. Buchholdt asked further question regarding funding for programs. Dr. Hiatt replied that it is not a budget problem but a cash flow problem.

Rep. Guy said that the information sheet shows that this practice has been going on for at least the last four years and asked why it was not made known to the Legislature before. Dr. Hiatt replied that it has been going on for the last 20 years probably. Emphasized that this did not imply use of funds budgeted and appropriated for other purposes. The University is in business, but has no working capital. It is a matter of having enough cash to do the work contracted for but not yet billed.

Rep. Guy commented on difficulties of completing construction projects in rural areas and lack of construction funds slows it down even more. Mr. Arth replied that the University is doing a normal business practice. Money comes to the University from different sources. Once a month the U of A submits expected expenses for each construction project. The practice of keeping funds in a common account allows the U of A to earn about a quarter of a million dollars interest on those funds.

Rep. Bradley asked if there is any bond money in this capital fund. Dr. Hiatt replied that the State would draw down what they feel they need for whatever phase of construction they are on. They would look ahead two months to be certain the funds are there. Rep. Bradley said he thought it was illegal to dip into bonds funds and asked if this is not true.

*Bond  
Monies &  
Capital  
Fund*

Tom Custer, Assistant Attorney General said that when the State incurs a debt (bond) that money may be used for capital improvements only and that it is improper to comingle funds.

*Law re  
Bond Money*

Rep. Bradley asked if the Board of Regents has ever authorized such improper use of funds. Dr. Hiatt replied they had not to his knowledge.

Rep. Haugen commented regarding 1972 construction bonds and 1974 constructions. If it is not all used what does the University do with the leftover? Dr. Hiatt replied that it is kept in interest earning account. Rep. Haugen then asked what they do with the interest earned. Dr. Hiatt replied that it ordinarily goes into a fund called the planning fund which is reserved and used for alterations and repairs, etc. Rep. Haugen asked who pays for the debt service. Rep. Meekins question: Why doesn't the University establish a line of credit with the banks in return for the deposit? Dr. Hiatt referred the question to Mr. Arth who answered that when the bid was put out for the banking the volume of money kept in the banks was not enough to make it worthwhile to the banks to do this.

*Use of  
Unused  
Appropriations*

Rep. Freeman inquired as to the amount of accounts receivable outstanding. Dr. Hiatt answered \$15 million. Question: Are those accounts receivables good? Answer: They are "as good as Uncle Sam." Ques.: Why doesn't the University borrow the money from the bank? Answer: That was suggested by the Commissioner and we went to the Attorney General's Office which said they can't do it without legislation. It was suggested also that they send an auditor to the University. That is being done now. Ques.: Are you sure there aren't exceptions in this regard for the University? Answer: We had to find out from the Attorney General's Office if there is anything in the statutes to regulate these things. The Commissioner's Office feels that the University should turn over their receivables to the State agency.

*Accounts  
Receivable*

Chmn. Cowper said it had been reliably reported to him that

*Bounced  
Checks*

the University has recently written checks that have bounced. Is this correct? Answer: We keep about \$1 million in short term deposits. The bank was authorized to transfer from the short term interest deposits over to ready cash account when checks come in that require this. It was not done by the bank. The first time they ever bounced checks by not transferring monies from one account to the other. Comment by Chmn. Cowper: Perhaps these questions should be directed to another party. Ques.: After the SCT came in and set up

*Changeover  
of System  
After SCT  
Had Set Up*

the system for the assumptions, why did the University change over and cause it all to have to be done over? Answer: The University did change the method. The new program had not been run for the changeover to bi-monthly pay program.

*Monthly to  
Bi-monthly  
Payroll*

When it was taken to the members of the staff it caused so much opposition they decided not to implement that program until the next July. Consequently the programmers had to go back and figure a monthly program. They say it impacted their services considerably. Ques.: Bi-monthly pay periods were called for in the contracts? Answer: No, monthly pay periods were called for. Ques.: Why did you go to the bi-monthly periods? Answer: Assumption of work going to be done for about a ten-day period. There is a lag when done the bi-monthly way which allows time for changes and adjustments to be made. Chmn. Cowper: I think the problem is not with the system, but the decision to switch after the method was set up. Why was it done that way? Answer: Since the monthly system got fouled up, they decided to go ahead and move to bi-monthly as the most desirable system. They didn't realize it would cause so much difficulty and such an impact as to cause it to be six months behind.

Question by Rep. Meekins: How many individuals in the accounts whose labor has to be distributed? Answer: About 1,000. Question: Is there another method of doing this that would be more accurate? Answer: I think it will be a good system. The University needs more qualified technical staff people to figure labor distributions. Ques.: It would seem that there would be a more efficient way than taking the money out of the general fund considering the amount of interest lost. Answer: The problem in terms of lag time should be gone, but there will still be a lag of about two and one-half months.

*Labor  
Distri-  
bution  
Program*

HOUSE FINANCE COMMITTEE  
Monday, February 14, 1977  
3:30 p.m.

All members of the Committee were present except Representatives Buchholdt and Gruening. Other legislators present were Representative Smith and Senator Hackney.

*Present*

Those present from the University of Alaska were: Dr. Hiatt, President; Maurice Arth, Executive Vice President; Dr. Mather, Vice President for Research; Dave Scott, Budget Analyst; A. B. Frol, Director of Administrative Services; Dr. Cutler, Chancellor, Fairbanks campus; Jane Demmert, Coordinator, REA Central Support Services.

Also present were: Jim Rhode, Assistant to Representative Cowper; Merle Jensen, Deputy Legislative Auditor; Glen Vernon, Fiscal Analyst, Legislative Finance.

The Chairman called the meeting back to order at 3:30 and explained that Dr. Hiatt would have to be leaving at 3:50.

Representative Rhode commented that he had always considered the University to be two schools; one as academic and one as research. He said he was amazed to learn that they had 800 contracts for research. He asked if this criticism in the press would affect the contracts in the future. Dr. Hiatt said he didn't think so. Dr. Mather added that the contractors were aware of the problem. However, there shouldn't be any long-term effects. Dr. Hiatt said perhaps it would speed them up in sending the money.

*Contracts  
for Research*

*Dr. Hiatt*

Representative Cowper asked if Mr. Hullinger would be available for questioning by the Committee. Dr. Hiatt said he could be available at any time. The Committee might wish to address questions to Larry Miller, the Director of Accounting Services, who would be in town tomorrow.

There were no further questions for Dr. Hiatt, so Representative Cowper thanked him for attending the meeting and for addressing the questions with candor. Dr. Hiatt thanked the Committee for giving him the opportunity to speak and said he preferred not to fight his battles in the paper. Representative Cowper said sometimes the papers got to the battles before the soldiers.

Representative Cowper introduced Mr. Arth and said he was to make a presentation on the budget for Statewide Administration. Representative Meekins asked what Mr. Arth's responsibilities were. Mr. Arth replied that he had been Financial Vice President for two weeks, and Mr. Hullinger is a special assistant. Mr. Arth said he wanted to move rapidly toward resolving the problems faced by the University.

*Mr. Arth*

*Statewide  
Administra-  
tion Budget*

Regarding the Statewide Administration budget, Mr. Arth said they were asking \$8.4 million for statewide costs relating to a total budget of \$116 million. Of that, almost \$8 million is in the maintenance column and \$400,000 is in the change column. The total for Statewide Administration is a little fictitious in that this includes \$2.2 million of undistributed funds for community colleges. It also includes \$100,000 for land management activities of the University.

*Statewide  
Administra-  
tion Budget*

Mr. Arth continued to say that some of the personnel who were only on board for part of FY 77 would require salaries for all of FY 78. Another difference over 1977 is that five positions were added in the area of Accounting Services. The University has been criticized by people in the accounting business for having such a small number of qualified senior accountants running a budget of this size. The added money is to add three more CPAs and two more permanent clerical positions.

Mr. Arth said there was an item in the budget of \$141,000 for added insurance. That money is related to the need to insure new buildings that will be in existence in 1978. It reflects increased rates because of the appreciation of value in the property.

Mr. Arth said the University has asked for \$175,000 between the maintenance and the change columns for money to carry out study efforts for the University. The academic development plan should be carried out to a new level of detail. There's an item of \$58,000 in the Personnel Department budget which is intended to provide for a professional contract administrator. Now that there are bargaining units there's a need for on-going professional attention in dealing with them. The budget development process was handicapped this year because Mr. Scott carried too much responsibility. There's a position under the Public Development Office for \$1,800 to fund 1/2 position for a man to be responsible for development efforts; that is, raising money not to come from the state. The addition of a man that will cost the general fund \$1,800 will bring benefits to the state of Alaska that are in multiples of that amount. The Internal Auditor Group shows no increase from the present budget. The University Assembly and University Council are being held at the adjusted FY 78 base.

Mr. Arth said that the next major item is the computer center. The changed total is \$1,600,000. The increased amount is to pay for a Systems Programmer in Fairbanks, a Computer Operator in Anchorage, and an Entry Operator in Fairbanks. The \$182,000 in the change column for the computer system includes a first payment on a lease purchase arrangement for a Honeywell Dual Processor computer to increase processing ability. There's an option for bringing a dual processor on line or going to a different unit.

*Computer  
Center*

Mr. Arth said the next two items have nothing to do with the statewide budget. They are \$871,400 for the Community College Teachers contract for COLA, and \$1,394,000 for professional salaries intended to pay for the movement of administrative and technical employees to a new salary schedule. If the COLA adjustment is set aside, the University is asking for \$6 million in Statewide Administration. We are proposing 5% of the total University budget to provide the computer systems support for this vast system. The figures aren't out of line.

*Community  
College  
Teachers*

Representative Cowper said it has been suggested that perhaps we don't need a statewide administration. Perhaps the system can function just fine without adding staff. Perhaps we should add staff in other areas. He asked Mr. Arth his reaction to this idea. Mr. Arth replied that it would be like running the Roman Empire without Rome. The surest recipe for disintegration of this system is to eliminate a strong executive. No outside person who looked could conclude other than that it would take a major accounting system to help the University. If you split the computer operation, it's inconceivable to think that it could run as economically. A substantial thing in the computer field is the timesharing capability that's available now. The research people, the faculty people, and the students put their problems on the computer and they get back answers. This is an unsung story of computer success in the University.

*Regionali-  
zation*

Representative Cowper asked Mr. Arth if he felt the University accounting system is up to scratch and if the present system should be continued. Mr. Arth said he had looked at similar problems in other universities. Obviously the University accounting system is not in good shape today. We don't want to stick to the system we have now. We started to convert to a new system 9-10 months ago. We went to a 14 digit rather than a 10 digit code. It's necessary to retrain people. When it became evident how serious the problem was in mid-fall, the University realized it was necessary to go back to production of the status reports. At the end of February, we will have the status reports out to the end of the year. We have to get that software up over the next months so that the new flexibility that's offered will result in the general ledger reports and the management reports that we need.

*Accounting  
System*

Representative Meekins commented that on the regionalization question he understood the Roman Empire analogy. But, he said, we are more interested in efficiency than holding together an empire.

Mr. Arth said this is not a clear cut case. The University is still too small. The full time student numbers are modest. To try to provide a fully competent system in all these areas is really quite a job. When this state gets to the point where there's a well developed university as well as community colleges some years down the road, you can consider alternatives. It seems utter madness to consider disintegrating this institution.

Representative Meekins said there's a point where it makes sense to split off some of the different regions. This must be a historical problem. Mr. Arth said that while there's no single pattern, the common pattern is to centralize. In New York they have four great colleges. All is part of one system; one personnel system, one payroll system, one salary plan. In California there's more than one system, but the university system operates out of University Hall in Berkely and there are a dozen campuses throughout the state. It's still run as a system. Dr. Mather commented that he had been associated with the University for a long time. When the Regents sought Dr. Hiatt, one of their requirements was that he become a statewide president. That was to be sure that no one would think that Fairbanks had a president and the others didn't. The move you are proposing would take us back.

*Regionali-  
zation*

Dr. Mather continued saying that although the state is large geographically it is small in terms of population. It's essential that if we are to have an integrated system that will also be efficient, it will be with one central body that understands the problems. Otherwise we risk duplication. An important part of the statewide system is to make overall planning. More important is to look 10 years ahead to see where we will be.

Representative Cowper said that frankly the public perception is that the University is not being run very well. Many of the members of the legislature feel that regardless of whether they are in a position to judge or not they will have to make decisions. Certainly one decision that's been disturbing to many of the members of the legislature was the decision to close the library for an extra two hours a day. It occurred to us that the University should be run for the benefit of students. We thought cuts could have been made elsewhere. Representative Cowper asked who is making that sort of decision. Mr. Arth said he would like to defer that question to Dr. Cutler.

*Reduction  
in Library  
Service*

Dr. Cutler said as Chancellor of the Fairbanks campus he has reporting to him the Director of Libraries. The decision on the library hours was made within the library by the Library Director. The students felt they needed more time. The decision was made by charting out when the students used the library. What happens is that funds are reallocated. Decisions are made at the professional library level in each of the units and that's how it's done. Representative Cowper said he thought the problem was with the library budget to start with. That was done at the Regents level. Dr. Cutler said he had something to do with that. In March of the year we must make commitments for the coming year. In June of the year we find out what our budget is. Cuts that have to be made are supplies and equipment, part-time faculty members, and libraries. These are uncommitted funds. Dr. Cutler said it was his decision to make the library cut, and the Library Director decided that cut had to be made in hours available to students.

Representative Meekins asked if there was a formula for University budgeting. Mr. Scott replied that there are two or three. The instructional budget is based on a formula statewide. It's based on student credit hours. Representative Meekins asked how they went about avoiding double counting in that formula. Mr. Scott said that problem was avoided because they don't use a head count, but rather a count of actual credit hours.

*Budgeting  
Formula  
based on  
Credit  
Hours*

Representative Cowper asked what the University did with the money from the state. Mr. Arth said it goes into the primary bank account that's maintained for cash management purposes. It's used to pay obligations as they arise. If there's an excess, we will invest on a short term basis what we don't need to meet demands on account. Representative Cowper asked what was done with the interest earned. Mr. Arth said it shows up as an income item as a source of funds item in the current budget. In the statewide budget there's a figure of \$652,000 program receipts. About \$250,000 of that is estimated income from investment of deposit account balances.

*Cash  
Management*

Representative Cowper asked who approves the checks when money is drawn out. Mr. Frol answered that checks are based on invoices received which are based on purchase orders issued. Any document which indicates the University owes money. Representative Cowper asked where the documents go. Mr. Frol replied if they are for computer checks they go to Central Accounting. If the check is to be handwritten it goes to the college. It takes time to process a check, so there are times when a check is due out immediately and its handwritten. Representative Cowper asked how handwritten checks were reconciled. Mr. Frol said they were written against the main checking account and central accounting does the reconciliation. The records can remain in several places. Central Accounting gets the computer report which shows checks issued and checks cancelled. Representative Cowper asked if Central Accounting doesn't necessarily know about a check until they get a cancelled check. Mr. Frol said a check is never issued unless there is proper authority. Mr. Arth said there's a current order out that Central Business Office is to be notified of any checks over \$50,000 three days in advance. This is so we can be sure the bank has the money. Representative Cowper asked about bounced checks. Mr. Arth said this happened just recently. The University did not realize that the situation had arisen. The bank was informed to transfer the money. All of the bank people are now aware of the problem. The University was not out of funds. Representative Cowper asked if it was the practice of the University to have the bank do all the keeping track. Mr. Arth said this is what they were looking for in a bank. This bank had agreed to do it. Representative Cowper asked if Mr. Hullinger would know about the agreements with the banks. Mr. Arth said he would.

*Check  
Writing*

*Banking*

Representative Cowper asked what other accounts the University has. Mr. Arth said there's a long list of petty cash accounts to support local needs throughout the state. There are subsidiary accounts which feed money into these accounts by wire. Representative Cowper asked how large the petty cash accounts are. Mr. Frol replied that they vary, but it could mean \$10-20,000. Representative Cowper asked what was done to be sure the money is properly spent. Mr. Frol said they must report in to Central Accounting in detail copies of the checks and what they are written for. This is then analyzed.

*Petty Cash*

Representative Freeman said he had the feeling there was a situation where there are bank accounts all around and lots of people are writing checks. How many people are authorized to write a check on their own judgment. Mr. Arth said that for every one of the accounts there is a person who can sign the checks. Each one has terms and signatory officers approved by the Regents. Representative Freeman asked who can write a check for \$100,000. Mr. Frol answered that each one of the major campuses would have one person. The signature is a die. Only one person has access to it, and that's the Business Manager. Representative Freeman asked if he would know how much was in the bank. Mr. Frol said he probably wouldn't because it's central accounting. Mr. Arth said the responsibility is placed on the chief officers and that's their job. We only give it to people who are fiscally responsible for writing checks. The Board of Regents must give the authority.

*Signing of Checks*

Representative Freeman again asked if the people that are writing the checks know how much money is in the bank. Mr. Arth replied that if it is a normal expense he doesn't notify anyone centrally. We seek to be sure that we have \$1,000,000 coverage every day.

*Balance in Bank*

Representative Cowper said he thought the question was not whether there's enough money in the bank, but whether that check coincides with whatever account its directed to. Obviously every one of these checks must be entered into a particular ledger. How does Central Accounting do that? Mr. Arth said there's a printout 15 days after the close of the month allocating that check to its proper account.

Representative Meekins said he understood that a computer that is working properly will be closed down so that they can run through your system which is not working properly. Why is that? Mr. Arth said it was inefficient for them to have their own computer.

Dr. Mather asked to make a comment. The point is not who writes the checks but rather whether the money is appropriated in the first place. A function of the Business Manager is to know that he is paying for things on the basis of appropriations. The problem is not with the check writing; it's with the ability to bill.

Representative Cowper said he had been informed that the students at Nome, Bethel, and Kenai aren't getting their transcripts and their grades for a year. Ms. Demmert replied that there are isolated situations where there are problems with grades. As a general trend that is not the case. We have gone to a new system which seems to be working quite well.

*Grade  
Delay*

Representative Cowper stated that the Committee had a status report from the University dated February 12, 1976, on the SCT Corporation. Under implementation it says that the plan was to run the old system parallel with the new system until the new system is running well. It's also on tape. It looks like they agreed to leave the two systems parallel. We're talking about the payroll module. Mr. Arth said it was considered a big mistake that no demand was made to run it parallel. Representative Cowper said apparently SCT did not follow up on what they said they would do. Representative Cowper also said that in the U of A Management Letter dated December 5, 1975, on page 32, it says "many projects appear to have been completed but have funds remaining. We recommend that such projects be closed and that dispensation of the funds be made where appropriate." Representative Cowper asked that information be supplied on that.

*Parallel  
Payroll  
Systems*

Representative Meekins commented that he wondered how much credibility to put on some of the information that backs up the budget. He asked if there were other things that might come up a little later that the Committee should know about. Mr. Arth said SCT has a good many months of programming expertise that has to be devoted. We are some months from having up and running a SCT general ledger system. We have a budget module with the last wrinkles being worked out of it. It will make the status reports more useful for purposes of control. Those are the principal kinds of problems we are dealing with.

Representative Buchholdt said in the past few months she had heard rumors of slush funds for the University. Now she was hearing about petty cash accounts. She asked for a detail of petty cash expenditures by region. Representative Cowper said it was reported that Mr. Miller would have that information tomorrow. Mr. Arth said if they didn't have this petty cash system the Committee would have reason to grill them for it. If we left the people in Nome with no ability for handling critical cash needs we would be delinquent.

Representative Cowper asked when W-2 forms would be available to the employees of the U of A. Mr. Arth said they were printed and today or tomorrow they would be sent by Gold Streak or courier to the campus business offices. Mr. Arth commented that he felt a few weeks ago was the low point in this whole thing. Several weeks ago we did not have the W-2s out. We're two weeks late. They're out now. Today we have a clean payroll. The status reports are coming out. The bills are being sent to the federal agencies. We have SCTs attention. They are adding six people. The worst of it is behind us.

*W-2 Forms*

Representative Cowper said he had seen a copy of what's known as the Aaron Rosenthal Report about the implementation of the computer system. He asked if the University had had any responses to that report, and if so, that they be given to the Committee in writing in a week or so. Mr. Arth said the Rosenthal report became the bible. Dr. Hiatt has great confidence in Mr. Rosenthal. Mr. Arth said he would be glad to provide a list of major recommendations and where we stand on them. Representative Cowper said he would like to have a statement of the University's responses to those recommendations.

Representative Cowper thanked Mr. Arth for coming before the Committee. He then announced that the meeting would reconvene at 7:30 to give the Committee an opportunity to meet with Mr. Scott and Mr. Vernon to go over the nuts and bolts of the University budget.

The meeting was recessed at 5 p.m.

Tape #: H 77-11RECORDER LOGDate: 2-15-77Beg. #: 1877Time: 1:35 p.m.End #: H 77-12 1090Page: 1General Subject: University of Alaska

Present: Representatives Cowper, Freeman, Haugen, Guy, Schaeffer, Meekins, Buchholdt,  
Duncan, Gruening, Miles, Swanson, Nakak

Others: Christine Dooley, Student Rep. and Vice President, Anchorage Campus Assembly,  
U of A; Ric Davidge, Past Student Body President, U of A; Larry Miller, Director of  
Accounting Services, U of A; Dave Scott, Budget Analyst, U of A; Garrey Peska, Legislative  
Auditor; Jim Rhode, Assistant to Rep. Cowper.

| Log # | Description                                                                                                                                                                   |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1877  | Representative Cowper called the meeting to order at 1:35.                                                                                                                    |
| 1894  | Cowper: Announcement of Dr. Hiatt's resignation.                                                                                                                              |
| 1909  | Dooley: read her paper into the record. Concern for reduction in library services,<br>loss of 17 hours weekly. No increase in library collection.<br>SEE ATTACHED PAPER (#1). |
| 1974  | Exhibit A - Comparison with other college libraries (COPY ATTACHED).                                                                                                          |
| 1999  | Governor Hammond cut University budget 3.6. Chancellor cut Anchorage<br>library 10%.                                                                                          |
| 2023  | Cowper: Do any other colleges close their library on Sunday? Dooley: No, also,<br>little staff would be needed to open on Sundays.                                            |
| 2043  | Davidge: Recommendations for assessing trends in budgeting. Comparison of<br>requests. SEE ATTACHED PAPER (#2).                                                               |
| 2100  | Miller: Statement of responsibilities.                                                                                                                                        |
| 2108  | Cowper: After SCT designed program, U of A changed assumptions, why?                                                                                                          |
| 2122  | Miller: That's essentially correct. In November '75 a change was made. Necessity                                                                                              |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                  |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | for time sheet. Instructions came from Mr. Hullinger for change. There were requests for continuation for monthly payroll.                                                                                                   |
| 2153  | Cowper: Request for description of problems with system. Miller: response.                                                                                                                                                   |
| 2175  | Change in conversion priorities. Who made decision? No indication from Mr. Hullinger as to if decision was made at a higher level. Decision to change back to monthly system after deadline.                                 |
| 2222  | Cowper: Why weren't parallel runs of payroll made? Miller: response, cost.                                                                                                                                                   |
| 2237  | Cowper: Who made decision to take old computer off line? Miller: Merely by default.                                                                                                                                          |
| 2249  | Meekins: Who made decision on opt-out date to begin with? Miller: We were confident there would be no need for two runs by March 30. In October we were on schedule. Old system removed April 5.                             |
| 2283  | Miller: Logistics and inability to run on sister system.                                                                                                                                                                     |
| 2297  | Cowper: Late W-2 forms, why? Miller: Insecure master file, hand pays.                                                                                                                                                        |
| 2307  | Cowper: What do you think should be done? Miller: Do not feel University made a mistake. It was time for a new system. More information is needed.                                                                           |
| 2322  | Meekins: Where was mistake? Miller: Bad management decision on changing system. We are comfortable that problems will be resolved by August.                                                                                 |
| 2353  | Meekins: Instruction for changing base.                                                                                                                                                                                      |
| 2376  | Miller: Problems: 1) Ongoing 2) Conversion to new system.                                                                                                                                                                    |
| 2385  | Old accounting system means accounts payable and receivable etc. Payroll is employee records.                                                                                                                                |
| 2399  | Gruening: Lack of competent staff. Miller: Not enough people. Needed more professional accountants. 21 individuals under Mr. Miller. Chronology of staffing. Difficulty in staffing in Fairbanks market. Below market value. |
| ----- | CHANGE TO TAPE H 77-12 -----                                                                                                                                                                                                 |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                      |
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| 0016  | Gruening: Question on number employed. Miller: 39 in Accounting Services.                                                                                                                                                                                                        |
| 0032  | Cowper: On SCT Corp advice. During the time when new computer was being installed, did they make recommendations that weren't followed? Miller: Yes, Don't change assumptions, going to bi-weekly payroll.                                                                       |
| 0103  | Cowper: Other instances? Miller: How to address problem of payroll/personnel module in beginning. We wanted to delay implementation of personnel base.                                                                                                                           |
| 0157  | Cowper: Who made the decision not to abide by SCT recommendations? Miller: The AVP for Personnel inputted information to Exec Vice President and President's Council. Mr. Hullinger did not make that decision.                                                                  |
| 0216  | Arth: This type of decision usually made by consensus.                                                                                                                                                                                                                           |
| 0241  | Miles: Who was paying for non-advice? Miller: We all are. Original contract price was \$300,000 to provide nucleus for payroll module, revenues and receivables module, personnel system, payment module.                                                                        |
| 0296  | Meekins: What group made decision. Arth: President sits with staff, Exec. Vice President, Public Relations man, Assistant Vice President and others.                                                                                                                             |
| 0338  | Meekings: Should they be ehdl accountable for decisions.                                                                                                                                                                                                                         |
| 0354  | Arth: SCTs recommendation was not always better than alternative.                                                                                                                                                                                                                |
| 0394  | Cowper: NSF checks written by University. We've checked with banks and found there wasn't enough money in all accounts together to cover checks.                                                                                                                                 |
| 0428  | Miller: Each day we call banks for balance. At one bank we have depository account and general checking account. Until January depository account was overstated by \$1 million because of late posting. Change of procedures with funds already available. First National Bank. |
| 0482  | Alaska National Bank of the North. This occurred during elections week.                                                                                                                                                                                                          |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                       |
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|       | Transfer of funds didn't take place from state as scheduled.                                                                                                                                                                                                                                                                      |
| 0507  | Cowper: Doesn't the University need to keep a tally of what's in bank?                                                                                                                                                                                                                                                            |
| 0520  | Miller: University is using money, maximizing float, and trying to save interest.<br>Try to keep \$500,000 readily available.                                                                                                                                                                                                     |
| 0553  | Bank has changed posting procedures. University will continue same procedures.                                                                                                                                                                                                                                                    |
| 0595  | Arth: Common practice is to invest cash sitting in checking account if checks<br>aren't expected in.                                                                                                                                                                                                                              |
| 0626  | Meekins: Follow-up question on bank's procedures.                                                                                                                                                                                                                                                                                 |
| 0652  | Miller: explanation.                                                                                                                                                                                                                                                                                                              |
| 0766  | Jim Rhode: How many accounts for Central Administration. Miller: 41 accounts.<br>How long since reconciled? Revolving funds are on a monthly bank reconciliation.<br>The general payroll account reconciled JB 14 (June 30). Six months since last<br>reconciliation. Rhode: 15 months is time we heard from Legislation Auditor. |
| 0835  | Miles: Financial status reports are meaningless and that's what people are relying<br>on.                                                                                                                                                                                                                                         |
| 0868  | Y-T D expenditures. Production of reports. Reports are estimate of what's available.                                                                                                                                                                                                                                              |
| 0925  | Miller: University is behind in posting because of advice to implement new<br>system, July 1.                                                                                                                                                                                                                                     |
| 0945  | Miller: Problems in system being resolved internally.                                                                                                                                                                                                                                                                             |
| 0964  | Miles: Request for information on code numbers. Miller: response.                                                                                                                                                                                                                                                                 |
| 0986  | Cowper: explainted that Legislative Auditor would be addressing questions.                                                                                                                                                                                                                                                        |
| 0995  | Peska: Bank reconciliations done outside of U of A. Miller: Lack of professional<br>staff to do it. Ray Koller & Co. did reconciliations. This was done to prevent<br>major problems from occurring.                                                                                                                              |



General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| 1090  | Chairman Cowper reconvened meeting after recess at 3:20.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 1102  | Chairman Cowper asked Mr. Miller question regarding the records manager. Mr. Miller replied that the records manager is on leave. The University does not believe it will end up with a deficiency at the end of the year. The cash control sheets kept indicate cash flow.                                                                                                                                                                                                                                                                |
|       | Rep. Gruening inquired regarding the number of people in Mr. Miller's office. Mr. Miller replied that there are 35 people. He said the General Ledger processes information from Anchorage. Process information through the central computer. There are four people who do this.                                                                                                                                                                                                                                                           |
|       | Rep. Miles - regarding processing procedure - is it the same work being done by the two groups? Ans.: Essentially, it is. Data control work done in Anchorage. Checked and entered into computer program. They are trying to work out a system which will eliminate steps and provide instant information to the divisions and enter the central program upon entry into the individual division. Each location would be able to get immediate information showing their bank balance, etc. Questions and answers regarding check writing. |
| 1271  | Rep. Cowper informed Committee regarding Mr. Miller's and another party's plans to catch a plane. Mr. Miller informed them that he is confirmed for 7:30 p.m.                                                                                                                                                                                                                                                                                                                                                                              |
|       | Rep. Buchholdt - Do you have problems with hiring, firing, vacation pay, etc? How do you process that? Ans: There is a problem due to the fact that the central computer does not receive the necessary information timely enough. Hope to be able to <sup>de-</sup> centralize processes and use the                                                                                                                                                                                                                                      |

General Subject: University of Alaska

| Log # | Description                                                              |
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|       | centralized process for auditing. Ques.: Do you issue TR's? Ans.: Yes    |
|       | Ques.: How are they distributed? Ans.: Individual distributing office    |
|       | upon request issues them. Anchorage uses its own TRs. SE does not        |
|       | use TRs.                                                                 |
| 1343  | Rep. Meekins - inquiry re recognizing accounts. Would it be possible     |
|       | to find out the status of the transactions coming out of anchorage right |
|       | now? Could they give us an exact accounting? Ans: No just an approximate |
|       | one.                                                                     |
|       | Rep. Gruening - regarding employees in Mr. Miller's office. Explanation  |
|       | by Mr. Miller - 5 working on retroactive payroll. Due to computer system |
|       | foulups the retroactive payrolls must be hand calculated. Ques: Will     |
|       | you need fewer people when this is caught up? Ans: Yes, approximately    |
|       | 29 people. Ques: Are you aware that the Legislature's is done by         |
|       | the Department of Administration? Ans: Yes. Ques: You would be doing     |
|       | what the Administration does for us? Ans: We would be doing a pro-       |
|       | cessing of data submitted by Anchorage or Juneau. Ques: What further     |
|       | processing needs to be done? Ans. Check needs to go into the bank        |
|       | reconciliation file so that the bank account can be reconciled and       |
|       | it also must be entered into the central records.                        |
| 1432  | Mr. Arth: The problem is not only in the Fairbanks Statewide Office.     |
|       | The information coming in from the various business offices for the      |
|       | campuses. At times it is necessary to re-code almost 75% of the data     |
|       | coming into the central office due to lack of professional programmers   |
|       | to go to the local offices and train the people to properly code the     |
|       | material.                                                                |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| 1468  | Rep. Miles - Ques: How many payroll checks do you write per month by hand? Ans: Approximately 450. Ques: How many checks do you write for other things per month? Other than payroll? Ans: I made a mistake on handwritten payroll checks - 800 per month out of 3300 employees. 300-450 terminations per month. Turnover last year approximated 275%. Ques: How many (percentage-wise) of all other checks? Ans: Approximately 60%. Hand payroll check costs \$30 per check to process. Other types of checks cost approximately \$4-\$5 per check to process. Ques: Is there any possibility of finagling if a check doesn't go through the computer processing? Ans: Not really. Most of these checks are small amounts. Large amount checks are written within four major locations. These are accounting services which are substantially computerized. |
| 1553  | Rep. Miles - Ques: Is it possible that some checks are written, signed and cashed when they shouldn't be? Ans: There is always that risk I suppose. However, there is no problem with that to my knowledge. Should be operating on a decentralized basis by the end of next year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 1586  | Question regarding possibility of problems with employment reports to IRS. Ans: We were recently audited and did not receive a negative report. Ques: Are you keeping up with it? Ans: No. Ques: Are you able to get your periodic payments to the IRS at the proper time? Are they correct? Ans: They are paid at the proper time, but always overpaid to compensate for the differences in figures. Ques: Is problem due to computer problem? Ans: That is correct.                                                                                                                                                                                                                                                                                                                                                                                        |
| 1624  | Rep. Miles - Question re estimating overpayment to the IRS for employ-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|       | ment taxes. Answer by Mr. Miller.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|       | Steve Cowper - Ques: Do you have to certify as to the amount of wages and withholding? Ans: Certify as to what information received and processed.                                                                                                                                                                                                                                                                                                                                                      |
|       | Chairman Cowper thanked Mr. Miller for his presentation.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 1645  | Chairman Cowper introduced Dr. Don Lokken of the University Assembly, Budget & Planning Committee, Fairbanks Faculty Association.                                                                                                                                                                                                                                                                                                                                                                       |
|       | Mr. Miller commented that he had made an error in the previous figure given for handwritten payroll checks; should be 12-13%.                                                                                                                                                                                                                                                                                                                                                                           |
| 1667  | Dr. Lokken - Commented on the University's problems pointing out that they are not solely in the Fairbanks' budget and that it is the smallest budget of the University's campuses. The requests made are for a program of basic education items. Alaska should at least have one quality University. Further comments regarding importance of funding for the Fairbanks campus.                                                                                                                        |
| 1742  | Chairman Cowper introduced Dr. John H. Lindauer, Chancellor, U of A-Anchorage.                                                                                                                                                                                                                                                                                                                                                                                                                          |
|       | Dr. Lindauer - Anchorage budget based on formulas. Explanation of formulas. He said that as far as he was concerned, the only positive thing that came out of these formulas was that they showed the inequities in the salaries systems. One of the problems is full-time, part-time ratio. Problems in other areas, too. Who should get any changes money? If left up to him, at least 1/2 of it should go to ACC. Libraries must stay open longer. Average student is 32 years old and has children; |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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|       | needs the library open on weekends and after regular working hours.                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|       | No money left to have the libraries open more. Budget will go into deficit if kept open longer.                                                                                                                                                                                                                                                                                                                                                                                                     |
|       | Going to try to simplify payroll systems. Will operate with monthly system instead of bi-monthly.                                                                                                                                                                                                                                                                                                                                                                                                   |
|       | Campus has 11.5% growth at this time compared to last year's enrollment at the same time. By going to better classroom facilitation they should be able to handle growth. Spending approximately \$3910 per student. Will jump to \$3977, which is approximately 2% increase per student.                                                                                                                                                                                                           |
|       | Formulas used based on last year's figures, not this year's or previous years.                                                                                                                                                                                                                                                                                                                                                                                                                      |
|       | If only change budget, will make it difficult to maintain the present staff of full-time and part-time people. Professional part-time instructors are the finest quality that he has seen.                                                                                                                                                                                                                                                                                                          |
|       | There are 39 meetings scheduled between himself and the instructors to facilitate better ways to use the available space.                                                                                                                                                                                                                                                                                                                                                                           |
| 1927  | Rep. Freeman - Ques: Is the problem money or management? Ans: It is my opinion that most of the problem is management, but there are definitely problems with the money part of it. As U of A grows, the problem is due to the centralization of information. U of A-Anchorage is not in the kind of dilemma as rumored. The records are uptodate. The checking accounts are reconciled there. Ques: Are there management decisions made elsewhere that make your job more difficult? Ans: Yes. The |
| 1988  | system is evolving and expanding so rapidly. It took systems such as                                                                                                                                                                                                                                                                                                                                                                                                                                |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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|       | in California thirty to forty years to make their systems work. Alaska's attempting to get it done at a much more accelerated rate. It is his opinion that the U of A is not necessarily at a level that requires being highly centralized.                                                                                                                                                                                                                                                                                                            |
| 2026  | Rep. Haugen - Ques: What is the average class size at the U of A-Anch.? Ans: Class size is only one calculation. Must be related to the credit hours generated and how much it cost for each one. Ques: What is the average student enrolled at? Ans: Seven hours - \$107 paid by that student for that seven hours. Comment: Pre-registration generates a great deal of money done on this basis. Questions re method of payment of registration fees by students: Ans: Run on a cash basis primarily, but they do extend credit at times, of course. |
| 2095  | Chmn. Cowper - Ques: Is it better to guess at enrollment figures, or use figures based on fact? Answer: Would be better to use fact instead of a guess for projection. Mr. Scott commented that the budget has accounted for an increase in the student credit hours. It has nothing to do with head counts. What is being used for '78 is the best estimate based on projections for '77.                                                                                                                                                             |
| 2139  | Chm. Cowper - Ques: Who made the decision for the library to be open only 62 hours per week? Ans: Decision was made according to amount of money available. I made the final decision (Dr. Lindauer) based on recommendations and discussions with faculty and staff involved in administration of the library and budget. Chmn. Cowper commented                                                                                                                                                                                                      |

General Subject: University of Alaska

| Log # | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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|       | that he thought it only fair to Dr. Lindauer to point out that Dr. Cutler had found it necessary to make the same decision on the Fairbanks campus. Further questions by Reps. Freeman and Gruening.                                                                                                                                                                                                                                                                          |
|       | Ans: He arrived at the campus at the time that the budget cuts were being discussed and decided upon. Much of the money was already encumbered by that time. It was already pretty well set.                                                                                                                                                                                                                                                                                  |
|       | Rep. Gruening inquired regarding the students tax money - that 10% of the statewide was allocated to the Anchorage library. Ans: Total allocation was \$600,000 from the libraries statewide. He was told to take \$600,000 budget when he arrived.                                                                                                                                                                                                                           |
| 2231  | Mr. Scott - further explanation of allocation of cuts and method used. Dr. Lindauer expressed that he really does believe that the libraries should be open more hours and intends to do all he can to see that the money is appropriated for it in the future.                                                                                                                                                                                                               |
| 2254  | Rep. Meekins- Are you sending your data to the central system late and what amount of error is in that data? Ans: I do not believe that our information is sent in late generally. Many mistakes were previously made due to the large degree of part-time staff. Questions and comments by Rep. Meekins regarding the wisdom of programming the Anchorage data into the centralized system since it is efficiently and successfully programmed in their own computer system. |
| 2283  | Dr. Lindauer answered that they should have no trouble at all if the centralized system is working as it should. Their records are up to date. Rep. Meekins asked Dr. Lindauer what his feeling is regarding running                                                                                                                                                                                                                                                          |