

HOUSE/SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2667

HOUSE FINANCE COMMITTEE
Wednesday, March 23, 1977
1:20 p.m.

All members were present with the exception of Rep. Gruening. Also present were Representatives Rudd, Malone, McKinnon, Anderson, Urion and Nakak; Fiscal Analysts Glen Vernon, Bob Schroeder, Milt Barker and Alison Farnan.

Operating Budget - EDUCATION

EDUCATION

Representative Rhode requested adding in \$18,000 for Infant Learning Grants in Anchorage. Rep. Buchholdt made a motion for the same, there being no objection, the motion carried. *Budget Close-outs*

P. 125 Special Education Grants

P. 125

Grants, Clms - 80.8, Total Expend. - 80.8
General Fund - 80.8

University of Alaska - EDUCATION

U of A

Chmn. Cowper informed the members that proposed legislative intent had been placed in each member's mailbox three or four days ago. There is some concern that, as a result of the Governor's veto, Alaska Native Language Center has been reduced. The concern expressed has been that it has been reduced, but inspecific regarding that.

Rep. Swanson commented that he had received a copy of the Governor's revised budget on the FRED program. Three individuals involved in construction have, in the past, been funded by Alyeska. It has been indicated that one person will be dropped and some concern has been expressed regarding this.

Rep. Cowper - P. 161, Student Services - Kenai - The Governor took FY 77 figure and added 21.3 for one-half position for Career Counselor. Motion for Governor's figure, plus 21.3 for one-half position, carried.

P. 161 Student Services - EDUCATION

P. 161

Total Expend. - 72.3

Rep. Durcan - Consortium Library, Academic Support, Sitka -

Motion for additional \$19,010 carried. Total funding would be \$69,010, 50.0 from General Fund.

INTENT: Addition to paragraph 2, page 2 - Part of the money is to be used for already agreed to salary increases.

Paragraph 3, page 2 - where it says \$1 million of the supplemental appropriation - add the words "General Fund". EDUCATION

Last page - RRIU should RRIM.

*Budget Close-
outs*

Motion for the above changes carried with unanimous consent.

Representative Buchholdt referred to letter from Alaska Student Activities Association.

Motion to add \$36,000 to the Executive Administration, Boards and Commissions BRU to include request of above mentioned Association.

Representative Swanson explained that this commission arranges all of the athletic events, sets standards of eligibility, sets up tournaments, etc. I would assume that most of this is for travel.

Representative Rudd commented that the Student Activities Association does do all of the things Rep. Swanson mentioned and they are anticipating less ticket receipts since the tournaments and things like that are being held all over the state.

Motion failed.

P. 99 Western Region, SOCIAL SERVICES

SOCIAL SERVICES

Representative Meekins - Received request by Rep. Nels Anderson - the department took funding out for a social worker in Dillingham. Move to put in Legislative INTENT that the Western Region put back the social worker full-time in Dillingham. Motion carried unanimously.

*P. 99
Budget Close-
outs*

P. 109 Central Office, SOCIAL SERVICES

P. 109

Representative Meekins - Received request by the Anchorage Democratic caucus for \$25,000 for Alaska Women's Resource Center.

Rep. Rudd commented that the group provides help and support to women when they are in special need of it. It is an entirely volunteer group. They need foundation money to keep their doors open.

Rep. Freeman asked if there are branches of the organization in other towns in the state and Rep. Rudd replied that are just in Anchorage.

Rep. Meekins moved to add \$25,000 for the Women's Resources Center in Anchorage from General Funds. Objection was noted and the motion failed.

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P. 105 Eligibility, SOCIAL SERVICES

SOCIAL SERVICES

Chmn. Cowper said this is a request from the Budget Analyst.

P. 105
Budget Close-
outs

Milt Barker explained that the department had incorrectly listed the number of workers they have for Public Assistance. Because they had listed more than they have, the cut the Committee took was too great. If the Committee wishes to keep to the figures agreed on for the number of positions, the funding will have to be changed.

Rep. Meekins moved to revise the number of positions to 95 and reduce the Governor's figure in the amount of \$123,000. Motion carried unanimously.

Personal Services - 2193.7, Total
Expend. - 2788.9

P. 93 Southcentral Region, SOCIAL SERVICES

P. 93

Speaker of the House Hugh Malone asked the Committee to consider that the decisions be set out as a line item. Last year he was informed via the grapevine that the Social Services were moving out of the Kenai office. When certain staff members were asked questions regarding this matter, they said they were not supposed to discuss it with any Legislators. Talked to the Commissioner expressing dissatisfaction of the change and previous service in the area.

Jim Rhode commented that he went to talk to the Commissioner who sent him to see Mr. Granato who was out of town at the time.

Rep. Anderson commented that he had similar experiences with the department and found out about the plans for reorganization in a roundabout way.

Rep. Cowper said that Mr. Granato was asked by the Committee if there was any reorganization going on and he said there was not.

Rep. Malone said that a similar situation had taken place last year.

A motion was made by Rep. Freeman that the Kenai Social Services be broken out as a separate BRU from the South-Central Region.

Rep. Cowper asked if Mr. Granato was lying when he appeared before the Committee and Rep. Malone replied that he was unclear as to the specificity of the question asked of Mr. Granato. Rep. Cowper explained and said he feels that

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the Committee should hold further hearings with Mr. Granato.

P. 5 Field Nursing, HEALTH

HEALTH

Rep. Meekins moved to add in \$20,000 for rental payments for nursing program in Palmer. They are using a school building for their office and the school is going to use the space themselves this year. They will need to rent at another location. Motion carried unanimously.

Budget Close-outs

P. 5

Contractual - 285.3, Total Expend. - 3360.1

P. 17 Immunization, HEALTH

P. 17

Rep. Meekins to return 10.0 previously cut from Travel. People were in to see him regarding this program and said these two people were doing good work and the funding is needed for them to travel per their agreements to provide the service. Motion carried.

P. 55 Grant to GAAB, HEALTH

P. 55

Rep. MacKinnon explained that Anchorage provides health care services and has a contract with the state. It gets about \$360,000. The cost of operating is approximately \$1.5 million. The contract figure was set in 1971 and there have been large increases in costs to provide the services since that time.

Rep. Duncan asked if Milt Barker has some figures that show what the service costs in other communities in the state. It may be cheaper to give a grant than for the state to provide it.

Rep. Meekins commented that the municipality contributes to this. They are spending \$1.5 million for a portion of the services provided.

Rep. Swanson moved to add \$200,000 to Grants. An objection was noted and the motion carried.

P. 61 Harborview, HEALTH

P. 61

Rep. Meekins explained that the Committee had erred in cutting this BRU and moved the Governor's recommendation be adopted by the Committee. Further explanation by Milt Barker. Motion carried unanimously.

P. 71 Community Mental Health Center, HEALTH

P. 71

Rep. Meekins explained that the Bristol Bay program needs \$18.1 to bring them up to federal grants level.

Rep. Anderson commented that the Bristol Bay Area Mental Health Corporation requested \$80,000 last year

HEALTH

late in the session. Free Conference Committee okayed \$60,000 for nine months and the Governor vetoed it. They wound up with no program. Requesting \$73,000 to fund the program this year. There are a considerable amount of "in-kind contributions" to the program.

Budget Close-out

Rep. Cowper asked how they computed the figure of \$18.1. Milt Barker explained that it is the difference between the \$73,000 and what is in the budget now. The motion to add in the \$18.1 should have INTENT that the \$73,000 go for this program.

*Discussion re
Community Mental
Health Centers*

Rep. Haugen moved for an amendment to the motion to put in the request for the Gateway Mental Health Program.

Rep. Malone commented (referring to handout to members of the Committee) that some of the programs on the list are existing programs and some are new. Requests went around the state asking what they want to put in. We have run into a problem regarding HB 258. Received a letter from the Attorney General's office that there is no statutory provision to provide for improvement to programs. There was a meeting in Juneau and we talked to the different people involved. The experience with the program in Kenai is that they are very expensive programs to run. They are, however, superior to the institutionalizing of people. Ketchikan was left out of the budget submitted by the Governor, as well as, others on the list. Don't think they will be able to develop the local mental health programs without funding to start them out.

Motion to fund those programs around the state not presently funded.

Rep. Haugen commented that both Petersburg and Wrangell put in \$25,000 each for these programs.

Rep. Malone stated that he had to leave to go to the Oil and Gas hearings and thanked the Committee for their time.

Rep. Guy inquired regarding the percentage of funding for the programs provided by the increase requested by Speaker Malone based on the figures on the list he handed out.

Rep. Meekins commented that as Subcommittee Chairman he was going to ask for 20% increase above the Governor's figure.

Rep. Freeman commented that he objects to "piece meal" these out - applying a percentage to the Governor's request.

Rep. Cowper commented that the problem is that some of the programs need an increase and some do not.

Rep. Meekins moved to adopt the Speaker's request of the \$518.0 add-on to the Governor's figure.

Rep. Cowper asked Rep. Haugen if there are some problems in Petersburg that should be covered here and Rep. Freeman replied that the Gateway program covers that area. Each community makes a contribution to the program.

HEALTH

Rep. Haugen said they had started out with 100% federal funding. Over the first four years, the state and federal governments did share the cost. Now the state has to carry the 100% costs.

Rep. Cowper moved that the Committee adopt the additional figure of \$518.6 bringing the Grants total to \$2011.6.

Rep. Haugen withdrew his motion to amend the previous motion.

Rep. Cowper explained that the community mental health centers program was adopted so that people could stay in their communities instead of being institutionalized. The program should save the state some money. There is a motion to add \$518.6 in accordance with the paper handed out by the Speaker. The motion carried with objection noted.

Recess - 2:45 p.m.

Meeting reconvened at 3:10 p.m.

Bob Schroeder informed that there were no changes to be made in the Public Protection budget.

P. 47 Fairbanks Corr. Cntr, JUSTICE

JUSTICE

Explanation by Bob Schroeder of reasons for restoring about \$69,000 to Contractual. There was a motion which carried.

P. 47
Budget Close-
outs

Contractual - 249., Total Expend.- 1746.8

P. 75 Program & Parole, Third Judicial District, JUSTICE

Explanation by Bob Schroeder regarding the position of Clerk Typist in Palmer that was previously disallowed by the Committee. Rep. Ose requested that position be allowed. Motion to allow the position carried unanimously.

P. 51 Adult Confinement, Anc. Annex Corr. Cntr., JUSTICE

P. 51

Rep. Urion explained that the Minority Caucus had hoped that the Committee would restore the funds for the security positions in this BRU and in the Fairbanks one as well. Both facilities are heavily used. The positions requested are

6 Correctional Officers in Anchorage and 3 Correctional Officers in Fairbanks.

JUSTICE

Rep. Cowper said that the Committee could go over these positions again even though they had carefully gone over them initially. The additional people requested for Anchorage were for one very small area that can actually be seen from the present guard station. Also, they were not supposed to need any more people to replace the women who moved to the Ridgeview facility.

*Discussion re
Correctional
Facilities*

Rep. Haugen moved that the Committee approve the 6 Correctional Officers positions in Anchorage and 3 Correctional Officers positions in Fairbanks. An objection was noted.

Rep. Duncan asked what amount would be added and Rep. Cowper replied approximately \$250,000.

Rep. Meekins commented that he had gone through the Sixth Avenue facilities and that it is overcrowded and the employees are overworked. Suggested that they should be given some sort of assistance by the Legislature.

Bob Schroeder explained that the reason the Committee originally turned down the requested positions was that they claimed they would be adequately funded at \$6 million and then they came in with the request for the six new Correctional Officers in Anchorage.

Rep. Meekins stated that the Officers in the Sixth Avenue facility really feel that they are in a very dangerous situation due to the overcrowded conditions there.

Rep. Cowper commented that six Correctional Officers would actually be two more men at any one time.

Bob Schroeder explained that it would actually add one more man at any one time and one supervisor.

Rep. Cowper said there is a motion to allow all the Governor's allowed positions. There was objection noted and the motion failed.

Rep. Rhode moved to reinstate the 6 Correctional Officers in Anchorage .

Rep. Duncan moved to amend the motion by deleting one Correctional Officer, making the addition 5 (the first five positions allowed by the Governor). There being no objection, the motion carried.

P. 47 Adult Confinement, Fairbanks Corr. Cntr., JUSTICE

P. 47

Rep. Cowper moved to allow the first two positions requested

for Fairbanks - Correctional Officers I, full-time. There being no objection, the motion carried.

JUSTICE

P. 55 Adult Confinement, Ridgview Manor, JUSTICE

P. 55

Rep. Buchholdt requested an explanation from Bob Schroeder regarding 5 PCN's. Mr. Schroeder explained that there were five new positions granted by the Legislature last year and five positions to be transferred from Anchorage City Jail and five to be transferred from Eagle River. Committee allowed one new position this year for a Clerk Typist.

Representative Union stated that the Minority Caucus is concerned regarding a requested subsidy grant for transportation to Whittier. There's only one road to Prince William Sound Recreational area. \$100,000 subsidy for Portage River area.

J. Hogan stated that it was reduced by the Governor's veto.

Rep. Union commented that the state built a boat harbor in Whittier and the road is needed to get there.

Rep. Freeman commented that there is a short stretch of road and he has heard that sometimes the State maintains it and sometimes they don't. Suggested intent that the road should be maintained at all times.

Rep. Cowper moved to add \$100,000 to the Whittier subsidy. There being no objection, the motion carried.

P. 5 Executive Office, Office of the Governor, GENERAL GOV'T

GENERAL
GOVERNMENT

Comment should be added to INTENT that the Washington, D.C. office can be adequately maintained at the \$60,000 level.

P. 5

Rep. Buchholdt commented that there is a bill regarding this in State Affairs currently with a fiscal note for \$93,000. Information showed that there was \$80,000 unspent monies.

Explanation by Alison Farnan and Rep. Duncan.

P. 39 Personnel Management, GENERAL GOVERNMENT

P. 39

INTENT should be that while the Committee disallowed the Analyst III position, the intention is not to delete the function.

P. 41 Employee Negotiation/Relations, GENERAL GOVERNMENT

P. 41

Error in position count - should be 15.0.

(Changed Tape - H77-51)

P. 101 Treasury Management, Dept. of Rev., GENERAL GOV'T

GENERAL
GOVERNMENT

The Committee deleted Accounting Clerk II position - needed and funded totally from PRS. Motion to reinstate that position carried unanimously. P. 101

P. 119 Construction Inspection, Buildings, GENERAL GOV'T

P. 119

Rep. Nakak requested adding INTENT regarding construction in the bush. Rep. Cowper moved to add to the INTENT: a comma after state and "except where physical conditions justify higher standards for rural construction." There being no objection, the motion carried.

P. 157 Salaries and Allowances, Legis. Council, GENERAL GOV'T

P. 157

Rep. Duncan pointed out that an error was made in reduction of per diem. Motion to put back in 62.2 carried.

P. 169 Session Expenses, Legis. Council, GENERAL GOV'T

P. 169

Motion to delete 84.6 from Travel carried.

Request by Rep. Gardiner for a Legislative Office in Ketchikan during the interim. Motion for line item INTENT to that effect carried, changing the figures to:

Personal Services-5069, Travel-200, Contractual-2731, Total Expend-8000

Rep. Union informed the Committee that the Minority Caucus would like to restore \$100,000 for the Public Forum program. He said that there is good public response to the program. Motion to that effect failed.

Rep. Buchholdt stated that she would like to show in the INTENT in the Education Budget regarding the Visual Arts Center the exact funding for that program. Motion was made to that effect and carried.

P. 3 Alaska Historical Commission, Off. of Gov., EDUCATION

EDUCATION

Motion to add \$18,000 for radio station equipment for Koliganak MINI-TV. Appeared last year, vetoed by the Governor. There being no objection, the motion carried. P. 3

Rep. Duncan moved to redesignate the funding for Capital City Station KT00. No objection, motion carried.

P. 6 University of Alaska

U of A

Rep. Buchholdt moved to add \$150,000 cut by the Committee for the Health Occupations in Anchorage. P. 6

Rep. Cowper pointed out that the same item was on a bond issue at \$200,000 and appeared here at \$400,000 with no explanation. That was why it was cut. Other items were cut from the Capital City projects with the intent that limited funding should be allowed for the administration. The motion is to set the figure at \$400,000.

EDUCATION

Rep. Freeman asked if passing on this motion wouldn't recreate the problem and Rep. Cowper replied that if they reinstated this to \$400,000, they would have to reinstate the other figures.

Rep. Duncan moved to amend the motion to \$145,000. There being no objection, the amended motion carried.

Motion to adopt the total figure of 345.0 carried.

P. 9 Title I, CETA, SOCIAL SERVICES

SOCIAL SERVICES

Rep. Rhode said he had received a letter from a person in the Kenai Health Center whose ceiling is falling down. Motion to add \$5,000 for building repair. Rep. Cowper said he thought it should go in the BRU on Page 13 - CETA, Title II.

P. 9

P. 17 NATURAL RESOURCE MANAGEMENT, Capital Budget Summary

NATURAL RESOURC

Rep. Freeman moved to add 341.1 to Starrigavan Estuarine Expans. There being no objection, the motion carried.

P. 17

P. 23 ADMINISTRATION OF JUSTICE, Capital Budget Summary

JUSTICE

Rep. Cowper moved to add \$125,000 for Ketchikan Jail Planning. The state is going to move the state prisoners out of the federal facility and proposes that the local people build the jail and operate it. The facility would be state owned and on state property.

P. 23

Rep. Freeman explained the history of the matter briefly and said the jail facility now is in the Federal Building. Federal government notified the state that the prisoners must be out of there by a certain date.

Rep. Cowper further explained that the planning would be done jointly and recommended adopting the language in the INTENT recommended by Rep. Gardiner. Move INTENT that the Ketchikan jail planning shall be done in coordination with the appropriate local groups. Motion carried unanimously.

Motion to add in \$125,000 for the above stated purpose carried.

P. 25 DEVELOPMENT, Operating Budget Summary

DEVELOPMENT

Rep. Swanson moved \$30,000 be added in for clearing a strip for the basis of a cost analysis of clearing 70,000 acres. There being no objection, the motion carried. P. 25

P. 29 TRANSPORTATION, Capital Budget Summary

TRANSPORTATION

Rep. Cowper moved to add \$10,000 for shelter cabins between Kwinok and Good Cause Bay. There being no objection, the motion carried. P. 29

Rep. Urion asked that the Committee add in \$200,000 to extend and improve the air field in Fortuna Ledge.

Rep. Akers commented that there has been some bad accidents there, but that they don't have the figures of the actual cost. A motion was made and there being no objection, carried.

Rep. Buchholdt moved to add in \$200,000 for the new Glenn Highway Access Road. There being no objection, the motion carried.

Rep. Anderson asked the Committee to add in \$375,000 for appropriations to improve the runways in Kipnik, Congigiak and one other community. Rep. Cowper moved to add in \$375,000 for the purpose just mentioned, and there being no objection, the motion carried.

Rep. Guy asked that it be put on the record that he will make a request for runway improvements next year.

Rep. Cowper informed the members that a front page of the bill (Capital Budget Bill) would be read across tomorrow morning and the Committee should meet at 8:30 to sign the Committee Report. Copies of the bill would be printed by tomorrow afternoon and the House can vote on it then.

Meeting adjourned at 4:40 p.m.

Adjourned

Statement for the record by Representative Nels Anderson:

*Statement
by Rep. Nels
Anderson*

"Rep. Nels Anderson of District 16 wishes to extend his appreciation to the Chairman, Members of the Committee, and the Staff for allowing him to make his presentation although he came into the Legislature 65 days late."

Tape H77-50, Log #0206
to H77-51, Log #1296

HOUSE FINANCE COMMITTEE
Thursday, March 24, 1977
8:35 a.m.

All members were present except Rep. Gruening. Others present were Reps. Urion, Rudd, Malone, Gardiner, Nakak, Bradley, and Anderson; Phil Hubbard, Commissioner, Commerce & Economic Development; Jay Hogan, Director, Legislative Finance; Fiscal Analysts, Legislative Finance.

Rep. Cowper stated the purpose of the meeting: To go over items brought up in the caucus on the budget.

Natural Resources:

Mr. Grogan said that one problem in the Protection area is that funding has been allowed for 5 troopers but only 4 are specified as to where they will go. Rep. Swanson said Rep. Cotten and Rep. Bradley had requested that the trooper be located in Eagle River. Rep. Cowper said he would not be inclined to go along with that request. The subject was dropped with plans to return to it later.

Development:

Mr. Grogan said the Committee might want to consider putting in liquor licensing tax and shared taxes into Development. Rep. Cowper moved to put it back in at 550.0; no objection.

Rep. Urion said he would like to see Mr. McConkey reinstated in the Development budget. Rep. Haugen stated that those people in Southeast Alaska who are working at developing energy sources have had a great deal of help from his office. They have been very effective at getting something started on wind generation. Rep. Haugen said he would like to have it put back in as it was originally presented. The Legislature will be back next year to evaluate it. Mr. Grogan added that all but 58.0 was taken out of Energy and Power Development, and the 58.0 was moved to Alaska Power Authority under Contractual.

Rep. Haugen moved to reinstate the Governor's figures in Energy and Power Development and to subtract the sum of 58.0 from the Alaska Power Authority in Contractual. The motion carried. (Rep. Duncan was not present at this time.)

Rep. Haugen asked to add LEGISLATIVE INTENT that the Finance Committee be provided with an inventory of activities by the day the Legislature opens next session.

Natural Resources:

Rep. Cowper said money had been put in for five fish and game enforcers, but only four were designated. Rep. Bradley said he would ask that one be designated Eagle River-Chugach. Rep. Cowper asked if it wasn't possible for the Enforcement Officers in Anchorage to drive 20 miles to patrol that area. Rep. Swanson said perhaps it could be covered with intent that the man cover that area.

BUDGET
CHANGES
RECOMMENDED
BY CAUCUS

Natural
Resources

Development

liquor
licensing
tax

Energy &
Power
Development

Motion to
reinstate

INTENT

Natural
Resources

Rep. Swanson moved to add LEGISLATIVE INTENT that and Anchorage Enforcement Officer would patrol the Eagle River-Chugach area; motion carried 5-3. Rep. Freeman said it was his understanding that they put people where they are needed.

Natural
Resources
INTENT

Rep. Cowper moved that on page 157 of Natural Resources 50.2 of Contractual be lined out through LEGISLATIVE INTENT for the Western Alaska Salmon Stock Separation Program in accordance with the memo from Commissioner Brooks; no objection, so ordered.

INTENT

Rep. Guy said the people of Yukon-Kuskokwim want a Biologist on a permanent basis. The one that's there is moving. Rep. Cowper moved to add LEGISLATIVE INTENT to page 155, Commercial Fish Reserve, that a Fish and Game Biologist should stay in the Yukon-Kuskokwim area full time; no objection.

INTENT

Rep. Buchholdt said the Anchorage group wanted the Rifle Range and also 60.0 to do two films under NRMEC of lands in their natural state. It would be under the direction of Ted Smith. There was no motion.

Development:

Rep. Cowper moved and asked unanimous consent to rescind action on the reinstatement of Energy and Power Development. He asked Rep. Duncan to comment.

Development

Energy &
Power Dev.

Rep. Duncan said the Administration had been dragging its heels on the Alaska Power Authority. The intent of the Legislature when this was passed was to get all the energy activities into one area. These two agencies could be combined. The 58.0 for Contractual was transferred to the Power Authority. That provides all the professional fees and studies so projects can continue. Staff is merely being combined to do what the Legislature had in mind last year by passing the Power Authority Act.

Rep. Haugen said some people had had tremendous use from the efforts of Bill McConkey last year. Rep. Haugen asked that there be an opportunity to keep it as it is now until January 1 of next year when a report could be furnished. If Mr. McConkey is wiped out it will be too bad.

Rep. Duncan said Mr. McConkey is not necessarily being cut out. The motion carried with Reps. Freeman, Rhode, Haugen, and Schaeffer opposed. Action was rescinded.

Reinstatement
Action
Rescinded

Rep. Anderson said there had been an arrangement with Commissioner Motley previously for a loan officer in his area. Commissioner Hubbard has stated that there is not justification for a full-time loan officer. Rep. Anderson said he felt a circuit rider under Commerce and Economic Development could serve several areas. This would ensure that people of Alaska have access to the loan programs of the state. Rep. Freeman moved that 75.7 be added to Commerce and Economic Development for the purpose of establishing a circuit riding program for business loans which would include but not be limited to: Soldotna, Dillingham, Kenai, Homer, and Kodiak. Figures: Personal Services, 45.0; Travel, 17.4; Contractual, 7.5; Commodities, 1.0. Rep. Swanson said he felt the circuit rider should cover the interior as well. Rep. Swanson moved to include the interior--Tanana, Nenana, Galena, Fort Yukon. Rep. Schaeffer moved to include his area

Commerce &
Economic
Development
loan officer

Norton Sound and Kotzebue Sound.

Development

(The tape was changed to H 77-50)

Rep. Swanson's motion to amend carried. Rep. Schaeffer moved to include Kotzebue, Unalakleet, Elam, Gullivan, and Nome. No objection to amendment. There was no objection to the main motion; so ordered.

Rep. Duncan moved to add LEGISLATIVE INTENT to the Alaska Power Authority: The INTENT of the Legislature is that present employees and duties and responsibilities shall be transferred to the Alaska Power Authority. There was no objection to intent.

*INTENT
Alaska
Power
Authority*

The meeting was recessed at 9:55 a.m.

Tape H 77-49 #1304
to Tape H 77-50 #0167

3-24-77

HOUSE FINANCE COMMITTEE
Friday, March 25, 1977
8:40 a.m.

All members were present except Rep. Gruening. Jay Hogan, Director, Legislative Finance, was also present.

The meeting was called to order to consider changes in the Budget Bill, HB 52.

HB 52

Rep. Cowper said he would like to send the bills to Rules with an attached Committee Report (see file). Rep. Cowper said when questions came up on the floor the subcommittee chairman should answer the questions regarding their areas. Rep. Cowper will answer questions on the University of Alaska and the Capital Budget.

Mr. Hogan handed out the draft of HB 52. Mr. Hogan proposed adding a chart as the second page. Section 7 is no longer necessary because we are now able to identify shared taxes as to what is local and what is state. Also, native claims can be identified immediately.

Rep. Cowper moved and asked unanimous consent that HB 52 be reported out as a Finance Committee Substitute; no objection. Rep. Cowper moved to report out HB 404, Revenue collected by other entities, and asked unanimous consent; no objection.

HB 52
reported out
"DO PASS"
HB 404
reported out
"DO PASS"

The meeting was adjourned at 9:15 a.m.

HOUSE FINANCE COMMITTEE

Friday, March 25, 1977

3:20 p.m.

All members were present except Rep. Gruening. Others present were Rep. Terry Gardiner; Jim Edenso, Deputy Commissioner, Commerce and Economic Development; Mark Kazazian, General Manager, Prince William Sound Aquaculture; Phil Daniel, United Fishermen of Alaska; Jim Rhode, AA to Rep. Cowper; Bob Grogan, Fiscal Analyst, Legislative Finance.

Rep. Cowper called the meeting to order to discuss HB 264, HB 252, and HB 253. The first to be discussed was HB 264.

Rep. Cowper asked Rep. Gardiner for a presentation on the bill. Rep. Gardiner went over the changes in the bill made on the Resources Committee Substitute. He said the state needs to make sure these organizations are viable and have some expertise. The state doesn't want to end up with money in organizations that are going to default to the state. If we are going to build a \$2,000,000 hatchery it's \$400,000 that has to be built up before you even get started. Once the hatchery is built it has to be run, so there are operational costs. The FRED Division has it at 10% per year to run the hatchery. Rep. Gardiner said one provision that has been cleaned up was the forgiveness clause. The salmon enhancement program on page 6 is the bulk of the bill. It gives the non-profit organization the chance to develop a salmon hatchery authority. This would enable them to apply for federal funds. In Washington DC they are in the process of writing aquaculture legislation.

HB 264

Resources CS

Rep. Gardiner said that not only the hatchery people but also Fish and Game and Department of Commerce has been involved in the drafting of this legislation. Everyone seems to be fairly happy with what we've come up with. Rep. Cowper thanked Rep. Gardiner and asked Mr. Edenso for his presentation.

Mr. Edenso explained that Rep. Gardiner had worked closely with the Alaska Fisheries Council to draft the bill. He has obtained much input from others as well. Mr. Edenso explained that Eric Wohlforth had reviewed the bill and come up with some recommendations:

1) Whether or not the state would be liable for obligations of the authorities should the authorities default and would this affect the state's credit rating? Answer: The language in the existing bill insulates the bill from having to pay any defaulted notes or bills from the authorities. About whether it would affect the credit rating of the state is a financial question. Mr. Wohlforth suggests that the Finance Committee seek financial advice on the credibility of the notes. Mr. Edenso said the Department of Revenue concurs with Mr. Wohlforth's statements. Mr. Edenso gave Rep. Cowper a copy of Mr. Wohlforth's comments.

Rep. Cowper then called on Mr. Kazazian. Mr. Kazazian said he was in support of the bill. It has received much public input. He stated that SB 39, which is almost identical to HB 264, has passed Senate Resources and State Affairs.

HB 264

Mr. Kazazian said that in Cordova they have the first hatchery. It is the hope that the depleted fishery is beginning to be restocked. Cordova has raised \$400,000 by having each fisherman put in 3¢ per fish. Cordova is the only corporation to receive a loan as a result of last year's legislation. This legislation would open the door for others in the state. One of the principal features of the bill is that it would allow for joint planning teams. This would be planning on the regional level with input from the regional corporations. The idea of creating the salmon enhancement authorities came up this summer. The federal government came up with a program that was not available because it was only available to political subdivisions of the state. Currently there's a bill that would allow 50% federal funding with a local match, but it could only go to a political subdivision. It's our hope to become a political subdivision for that reason.

Rep. Rhode said he was pleased that this is being done, but he wondered who owned the fish when they were released. Mr. Kazazian responded that the State of Alaska owns them.

On page 2, Rep. Guy asked if there was a way of knowing which fish are returning to hatchery sites. Mr. Kazazian answered that some of them are being tagged as they go out so it's possible to differentiate between the natural fish and the hatchery fish. A stream was used that was not already a prime fish stream.

Rep. Cowper asked Mr. Daniel for his input. Mr. Daniel said that UFA supports this legislation. One of the main reasons is that the Fisheries Council estimated that it would cost \$300,000,000 using conventional methods to rehabilitate fisheries. We are looking for alternatives. This bill would have much bearing on the future of fisheries in Alaska. This would go a long ways toward solving the conflict between sport and commercial fishermen. If federal money is available it may cost \$35-40,000,000 to rehabilitate the fisheries instead of the \$300,000,000. Rep. Cowper asked for a copy of the proposed federal legislation.

(Tape changed to H 77-52)

Rep. Rhode asked if it would be a detriment if there were too many of these hatcheries going. Mr. Kazazian said that was possible but not very likely. Fish and Game says if you get us the fish we can handle them. Fishermen say the same thing. There's a joint effort from the Institute of Marine Research and U of A to study if there's enough food and when it's available. The study went on last year, and the conclusion was that there is enough food.

On financial support, Rep. Haugen asked who would be paying the 3% assessment. Rep. Gardiner answered that anyone who commercially catches salmon within that region will be assessed--the owner of the limited entry permit. Rep. Haugen said that as a member of the union he would refuse to pay it. Buying a commercial license is enough. Rep. Haugen asked about people from an unorganized area

3-25-77

who fish in an organized area. Rep. Gardiner said it was based on where HB 264 the fish are caught. Rep. Haugen said there are four types of fisheries in the common fisheries area. There will be many problems arising, and those should be solved before it's too late.

Rep. Freeman asked what justification there is for not paying the money back at some point in time when it's a going concern. They should return the seed money they started with. Rep. Gardiner said you have to balance it out. The fisherman could sit back and tell the state to do the enhancement because they screwed things up. In the long run it will be cheaper this way for both parties involved.

Mr. Daniels interjected that the State of Washington just dumped in \$200,000,000 to their program. We must look at it from the viewpoint of what the cost to the state would be if we did fail to get the fishermen involved. The \$100,000 will allow them to get their director and their biologist. Without those two people it's impossible to get it going. Mr. Kazazian said he viewed the \$100,000 as an investment the state would be making to these groups that would come back many times over. There's a benefit to more than just the commercial fishermen and processors. The state benefits from this program and should do whatever they can to reduce the cost and as an investment for their own return.

Rep. Cowper said his Assistant, Jim Rhode, had discussed this concept with White-Weld. Mr. Rhode said that with regard to the provision of the bill which would grant the tax exempt part to the regional authorities--on page 9 it states that obligations remain the obligations of the fisheries. Mr. Swick has said that that language alone was enough to bar any future obligations. He raised some other points: He felt it was reasonable to expect this provision of the tax exempt privilege to be used by others, like those interested in tourism. There's some risk in doing this sort of thing wholesale because there will be those who will encourage the issuance of bonds in the expectation that the State of Alaska will bail out the organization. He said he felt it would be impossible to market bonds of this type. He thought the uncertainties of the program, the cyclical nature, and the limited collateral would make it impossible. His questions was why grant this privilege at this time.

Mr. Gardiner said that in questioning Mr. Berrier on the constitutionality of this he saw no problems. This method was used for the REAAs. It's modeled on the existing state law which has not been challenged.

Rep. Freeman noted that there were three different fiscal notes and asked which was correct. Mr. Gardiner said the one signed by himself for 750.0 was the proper one.

Rep. Cowper commented that it was not his intention to move the bill out today.

Rep. Guy said that in the Yukon-Kuskokwim area there has been a fisheries development corporation formed.

The meeting was adjourned at 4:45.

Tape H 77-51
#1821 to Tape H 77-52
#1028

HOUSE FINANCE COMMITTEE
Monday, March 28, 1977
1:15 p.m.

All Committee members were present with the exception of Representative Rhode. Also present were Speaker Hugh Malone, Representative Fred Brown and Mr. Bill Thomson, Director, Management, Law and Finance, Department of Education, and Robert Schroeder, Fiscal Analyst, Legislative Finance.

Present

Discussion of HB 251

Discussion
of HB 251

Bill Thomson explained that this is a request for an appropriation to the Department of Public Works to supplement insurance funds in the rebuilding of Twin Hills School. The school burned down on December 31, 1976. They propose to build an elementary and secondary school. The teachers' quarters were located in the building previously. It is the intention, however, to build a one-story high school facility with the portion of funds which would have been used to rebuild the teachers' facilities since the Village Corporation has said it will fund the replacement of the teachers' quarters. The fire was caused by a faulty heat tape.

*Bill Thomson
Re Purpose*

Rep. Freeman asked if the Department of Public Works was involved in the construction of the original facilities. Mr. Thomson replied that it was one of the last ones the Department of Public Works was involved in.

Chmn. Cowper thanked Mr. Thomson for appearing before the Committee and apologized for requesting his presence on a holiday.

Discussion of HB 214

Discussion
of HB 214

Hugh Malone, Speaker of the House, spoke to the Committee in support and explanation of HB 214. If this bill passed all debts incurred and outstanding against political subdivisions for payment to the state for judicial services under AS 22.15.270 as it read before 1976 would be forgiven. An amount of \$208,547 has already been paid to the state by some of the municipalities, leaving \$390,000 outstanding in January 1977. If this legislation were enacted, it would only be fair to reimburse those municipalities that have already paid.

*Rep.
Hugh Malone
re Purpose*

Rep. Gruening: Would it cover those reimbursements?

Rep. Malone: No, there would have to be appropriations for that.

Chmn. Cowper: Were there any payments made before the bill was enacted in 1976?

Rep. Malone: Yes. They had been charging a percentage of the costs. I would like to be able to present the

Committee with a breakdown; however, I do not have that information at this time. If the members are interested in such a breakdown, I would be happy to provide one.

Rep. Gruening: Would the repayment be for fiscal year 1977 or how far back would it go?

Rep. Malone: There would have to be some sort of cutoff date, such as January 1, 1975.

Rep. Swanson: Is the amount to be reimbursed the figure you have given us?

Bob Schroeder: The bill is for the figure of the amount to be forgiven. Would have to make separate appropriation to reimburse those municipalities that have already paid.

Rep. Gruening asked if Mr. Schroeder could prepare a bill that included the amounts not shown in HB 214 and Rep. Malone replied that he would be glad to work with Mr. Schroeder if the Committee wishes.

HB 214 Held
Over for
Further Con-
sideration

Chmn. Cowper thanked Rep. Malone for his attendance and explanation and said that the members would appreciate his further assistance regarding HB 214.

Discussion of HB 222

Discussion of HB 222

Rep. Malone stated that HB 222 is one case where the bill is all in the title - "An Act relating to public scrutiny of the budget formulation process." HB 222 would provide that the budget process is an open one; would provide public participation; that as the information on the budget is developed, that information would be available to the public; would provide that the public would be provided with whatever proposals the Governor has for the budget. The Governor's budget is pretty much kept "under wraps" until the convening of the Legislature. Attempts to do this in the past have been met with little enthusiasm by the Administration, but with the Governor's public participation outlook, it might be more successful this time.

*Rep. Hugh
Malone -
Explanation*

Questions by Rep. Freeman regarding the language "review and comment" by the public. Explanation by Rep. Malone that the intent of this language is that the public should have the right to comment on what the Governor proposes for the budget. Certain procedures would have to be followed and set up in a manner that they can be presented to the Legislature, for example, written comments on proposed legislation of the Governor's budget could be presented to the Legislature.

Rep. Freeman expressed doubt in the success of such an invitation to the public and that it is the Governor's responsibility to put together a budget. Further discussion regarding the same.

HB 222 Held
Over for Fur-
ther Considera-
tion

Discussion of HB 295

Discussion of
HB 295

Rep. Fred Brown presented an explanation and support of HB 295 to the members. - This bill would appropriate \$800,000 to the Governor's Office of Telecommunications for special events programming into the villages and some education programming and evening entertainment. There is a proposal that the solution would be to give up their small private stations program and join into one of the large programs. A better solution would be to work out a program between the public programming and the private stations.

*Rep. Brown -
Explanation*

Discussion regarding problems in broadcasting in Bethel and other areas in the program.

Chmn. Cowper introduced George Shaginaw of the Office of Telecommunications. - The Office of Telecommunications distributed a report in which they state that it is their intention that the program remain as it is until it is completely worked out and tested. Most of the people that were originally opposed to the project and have since participated are quite satisfied with it.

*George Shagi-
naw - Office
of Telecommu-
nications*

Comments by Rep. Swanson regarding the manner in which the villages to come under the program were chosen and explanation by Mr. Shaginaw.

(Changed tape - H77-53)

If this program is going to go on a statewide basis, it should be done on a smaller project basis first such as a continuation of this one. This bill is only for an appropriation to extend the program for a period of time long enough to make an evaluation.

Chmn. Cowper asked if there were further questions by the members. There being none, he thanked Rep. Brown and Mr. Shaginaw for their attendance and assistance.

HB 295 Held
Over for Fur-
ther Considera-
tion

Recess at 3:10 p.m.

Tape H77-52 Log #1072
to H77-53 Log #0484

HOUSE FINANCE COMMITTEE
Monday, March 28, 1977
3:30 p.m.

All members were present except Reps. Rhode and Buchholdt. Milt Barker, Fiscal Analyst, Legislative Finance, was also present.

The first bill to come before the Committee was HB 286.

HB 286

Mr. Barker explained that the reason encumbrances were overstated at the end of the year had to do with some statistical errors. That's been ironed out. We are now going back and reducing the FY 76 appropriation.

Rep. Haugen moved and asked unanimous consent to report out HB 286. There was no objection; so ordered. The Committee report was circulated and HB 286 was reported out with a unanimous "do pass" recommendation.

Reported out
"DO PASS"

Rep. Cowper said there was other information that appeared that the Department of Health and Social Services was not telling the entire truth when they appeared before the Committee. Rep. Meekins commented that when they were in they said they were not charging things to other BRUs. Rep. Meekins distributed a portion of a transcript (attached) which indicated that they did charge to other BRUs. This is something the Committee should take note of.

Dept. of
H & SS
charging
to other
BRUs

Rep. Cowper said he thought that Mr. Granato had lied. He plainly lied last year. We should follow up on all these things and take them up before the full Committee. If the person is not telling the truth, he should leave state employment.

The next topic was HB 269. Rep. Cowper said the best estimate on this project was \$150,000. Rep. Freeman moved and asked unanimous consent to report the bill out. There was no objection; so ordered. Rep. Cowper said he would like to report out a Committee Substitute calling for an immediate effective date. Rep. Freeman amended his motion. The committee report was circulated and CS for HB 269 was reported out with a "do pass" recommendation.

HB 269

CS for
HB 269
Reported out
"DO PASS"

The next subject was HB 166, Alaska Legal Services. Rep. Cowper said the Governor had vetoed this last year. Rep. Cowper said it had been discussed before and the motion failed 4-4. He said he would like to bring it up again. Legal Services will have to be pulled out of most of the rural areas unless it is funded. Rep. Meekins moved to report out HB 166. The motion carried with Rep. Swanson opposed. So, HB 166 was reported out with a "do pass" recommendation.

HB 166

Reported out
"DO PASS"

The meeting was adjourned at 4:15 p.m.

- Meekins: Mr. Chairman, on the same kind of a question. Is that practice--how extensive is that in other areas too - to charge equipment off to different things? We look through commodities and equipment and really look it over, it doesn't mean anything because something is charged to 5 or 6 or 10 or 15 budgets. Is that right?
- Williamson: No, just the travel as far as I know. It is the only thing I can recollect authorizing or simply asking to be coded to a program.
- K. Lloyd: If I may, I can give you some background on charging the travel that way. That has been done in the past in the department. The purpose is to maximize the federal funding. If all the commissioner's travel was charged to the commissioner's office it would go through the ~~cost~~ ~~collect~~ allocation plan. Is that correct, Doug? Where, if it is directly done in connection with that program, it can be charged directly to that program and you maximize your federal funding. I know it was done under the last commissioner too, but it is just for travel as far as I know.
- Meekins: What about equipment?
- Lloyd: No.
- Meekins: It does not happen?
- Lloyd: No, it does not happen because the equipment is right for that program and stays in that program.
- Meekins: You don't take whatever it is and charge it to several different BRU's--not for federal funding but just in terms of making it hard for us to find out where it is.
- Lloyd: Not as any policy I know of. The only thing that is charged that way that I know of is the travel and that has been charged that way during the last two administrations. Now there may be some--Doug, you could probably answer that question...
- Doug Goldbach: ...(inaudible) We believe the rental on the mag cards because they are charged in accordance to the program in which the deputy commissioners administer. It is, again to get the dollar inside the program where there are federal funds and get it in there without spreading it around the world.
- Duncan: Commissioner, I guess these trips are planned out well enough in advance that you know where you are going to be travelling in FY 78 pretty well?
- Williamson: Pretty well, although you know a lot of the early on travel is not as essential to me now because I am a little better acquainted with the federal procedures, and I

STATE
of ALASKA

MEMORANDUM

TO: ☐ Fiscal Services
Division of Administrative Services

DATE : January 19, 1977

FROM: Lois A. Rodriguez, Secretary *LAR*
Office of the Commissioner
Department of Health and Social Services

SUBJECT: Telephone Bill - January 1977

Please find attached the telephone bill for the month of January 1977 and a check from Commissioner Williamson for \$99.91. Please code these checks to 06-26-5-010.

Please distribute between the following codes:

310 4 311	{	311 — C.O.	06-26-5-010	- \$99.91
		Corr.	06-66-4-510	
		M.H.	06-32-2-825	
		P.H.	06-31-1-981	
		S.S.	06-21-3-601	
		P & R	06-34-5-016	
		P.A.	06-33-6-514	
		AG.	06-22-5-100	
		P.B.	06-66-4-900	
		Q.C.	06-26-5-610	
		CSEA	06-26-5-700	
		Alk.	06-24-5-111	
		D.A.	06-24-5-510	
		V.C.	06-67-5-005	

Attachment

DR. FRANCIS S. L. WILLIAMSON
COMMISSIONER-HEALTH & SOCIAL SERVICES
POUCH II-01
JUNEAU, ALASKA 99811

875

PAY TO THE
ORDER OF

State of Alaska

14 Jan 1977 ⁸⁹⁻⁴³ 1252
\$ 99.91

Ninety nine and 91/100

DOLLARS

NATIONAL BANK
OF ALASKA JUNEAU

MEMO

phone - Jan

Francis S. Williamson

01: 02520001 01: 1005726200 0075

366

Juneau Douglas Telephone

VENDOR NUMBER

D.T. 5, 8, 6

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DISBURSEMENT VOUCHER

VOUCHER NUMBER

VJ 637547

INVOICE NUMBER OR BRIEF DESCRIPTION	ENCUMBRANCE/REFERENCE NUMBER	TRANS. CODE	DEPT.	PROGR	DIV	ACCOUNT	OBJECT	ACTIVITY	PROJECT	*	AMOUNT
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				664	510	310					13.68
				322	825						13.68
				311	981						13.69
				213	601						13.69
				345	016						13.69
				336	514						13.69
				225	100						13.69
				664	900						13.69
				265	610						13.69
				265	700						13.69
				245	111						13.69
				245	510						13.69
				675	005						13.69
				664	510	311					25.14
				322	825						25.14
				311	981						25.14
				213	601						25.14
				345	016						25.14
				336	514						25.14

367

VENDOR NUMBER
JDT586

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DISBURSEMENT VOUCHER

VOUCHER NUMBER

v

23/05/2022

[illegible]

1104

ACCESS

ADDRESS

CITY AND STATE

ZIP CODE

**VOUCHER
TOTAL**

654.61

Return Warrant

PREPARED
BY

DATE

1-24-77

CERTIFICATION: I certify that the facts herein or on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation or that there is a sufficient unencumbered balance in the appropriation cited to cover this obligation.

CERTIFYING OFFICER:

REPENTANCE ADVICE MESSAGE: USE ONLY IN AUTHORIZED SITUATIONS

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10-5225

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06-32-2-825	PH
06-31-1-981	SS
06-21-3-601	P & R
06-34-5-016	PA
06-33-6-514	AG
06-22-5-100	PB
06-66-4-900	QC
06-26-5-610	CS
06-26-5-700	AIK ^g
06-24-5-111	DA
06-24-5-510	VC
06-67-5-005	

3-Digit Object Code
3-Digit Account Code
Case or Med. Card No.
Remarks

Signature

I certify that this is a true and correct bill
and hereby authorize the Department Certifying
Officer to effect payment of same.

[Signature]
Date 7/5/71

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KAG CARD EXECUTIVE TYPEWRITER

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22.5.22

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CT/CI - THRU - CT/CI

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DEPT. OF HEALTH & SOCIAL SERVICES
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JUNEAU AK 99811

DEPT OF ALASKA
DEPT OF HEALTH & SOC. SVC
CHIEF THE COMMISSIONER
OFF BLDG-RCM 204
AK 99511

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Branch Off.

IBM ref

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STATE OF ALASKA
DEPT OF HEALTH & SOC SVC
OFF OF THE COMMISSIONER
AK OFF BLDG-ROOM 204
JUNEAU AK 99811

Invoice to:

STATE OF ALASKA
DEPT OF HEALTH & SOC SVC
POUCH H-01 COMMISSIONER
JUNEAU AK 99811

Customer reference:

ISS HANSEN

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1689 "C" STREET
ANCHORAGE AK

99501

Terms:

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FROM INVOICE DATE

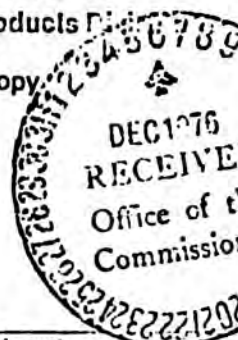
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MONTHLY AVAILABILITY CHARGE	12/01 THRU 12/31	279.36 279.36
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METER READING CURRENT	270706	
METER READING PRIOR	254574	
TOTAL COPIES	16132	
COPY CREDITS	60	
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VOUCHER NUMBER

W0 636408

371

LINE NUMBER BRIEF DESCRIPTION	ENCUMBRANCE/REFERENCE NUMBER	TRANS. CODE	DEPT.	PROGR	DIV	ACCOUNT	OBJECT	ACTIVITY	PROJECT	*	AMOUNT
890500		3601	06	66	4	443	360				172.45
E 49845		(3601)				437					(1.40)
SE 49991		(3601)				443					(.05)
KE 49992		(3601)				443					(1.40)
1026 8SQ5740		3601		24	5	111	340				37.50
1101 KH 94819				66	4	437	360				174.94
1 KH 95125											132.26
1 KH 95169						443					171.00
22 9ST5592				24	5	111	340				37.50
23 1SWK 705				26	5	700	360				157.30
4SWK 772				22	5	100	340				356.88
5SWK 703				26	5	700	360				81.25
8SWK 706											96.52
24 KK 11976				66	4	437					205.47
1201 KK 464.35											127.20
KK 465.31											166.60
KK 466.13				66	4	510					31.29
				32	2	825					31.29
				31	1	981					31.29
				21	3	601					31.29

371

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DISBURSEMENT VOUCHER

VOUCHER NUMBER

W0

DATE DAY YEAR	INVOICE NUMBER OR BRIEF DESCRIPTION	ENCUMBRANCE/REFERENCE NUMBER	TRANS. CODE	DEPT.	PROGR.	DIV.	ACCOUNT	OBJECT	ACTIVITY	PROJECT	*	AMOUNT
12 01 76	KK 46613		361	06	34	5016	360					3130
						336	514					3130
						675	005					3130
						225	100					3130
						664	900					3130
						265	610					3130
						265	700					3130
						245	111					3130
						245	510					3130
	KK 46702					213	521					195.00
	KK 46703					S	S					209.52
	S					311	747					55.88
						S	820					13.96
	KK 46739					664	4137					121.25
	KK 46782					S	8413					171.00
107	K 443022					311	747					78.30
S	K 443023					S	8746					78.30
21	6516966					664	115					361.00
22	7517626					265	125					37.50
22	2645620					311	018	340				20.77

HOUSE FINANCE COMMITTEE
Tuesday, March 29, 1977
1:25 p.m.

Committee members present were: Representatives Freeman, Buchholdt, Swanson, Haugen, Schaeffer, Meekins and Gruening. Committee members absent were: Representatives Cowper, Guy and Rhode. Representative Freeman chaired the meeting in absence of the Chairman. Also present was Rep. Phillips, J. Hogan, Director, Legislative Finance Division, Bob Maynard, Asst. Attorney General, John Doyle, Exec. Director, Legislative Affairs Agency, Myrton Charney, Director, Div. of Administrative Services, Legislative Affairs Agency.

Discussion of HB 13

*Discussion
of HB 13*

Rep. Phillips explained that the proposed bill amends the current statute to provide that qualifications would require an accumulated thirty years rather than continuous thirty years.

Rep. Swanson commented that approximately 400 more people would qualify with this amendment. The fiscal note is for \$285,000.

Vice Chairman Freeman instructed Rep. Swanson to work in a subcommittee with Rep. Phillips to clarify certain questions regarding this bill.

*HB 13 to
Subcommittee*

Discussion of HB 349

*Discussion
of HB 349*

J. Hogan explained that this is a supplemental appropriation for additional expenses incurred during the fiscal year.

Myrton Charney said they are awaiting a decision on this bill in order to meet some payrolls. Supplemental covers:

\$ 5,500	Salaries
2,400	Audit
<u>7,100</u>	Additional funds for data process.
\$15,000	

Rep. Swanson made a motion for a committee substitute changing the figure on line 10 from 583.2 to 662.1.

Rep. Haugen asked what period the \$60,000 covered and Mr. Charney replied the period ending this year. There will be travel, etc. after the session for March, April, May and June. This does not include the consultants. They will have a separate budget, hopefully to be submitted on Friday morning.

Rep. Haugen asked Rep. Freeman if he planned for the Committee to report this bill out and Mr. Freeman replied

that he did. Rep. Haugen expressed his objection and asked what the Committee on Natural Resources is and what the Committee on Alcoholism is. Answer: Sen. Colletta's interim committee - will meet on the tax and licensing bills as well as the treatment and any other bills regarding alcoholism. The Council came up with part of it. Rep. Haugen withdrew his objection.

Committee reported out CS for HB 349 with the figure on line 10 changed to \$662,100 and adding "Sec. 2. The sum of \$15,000 is appropriated from the general fund to the Legislative Finance Division for the additional expenses of the first session, Tenth Legislature."

Reported Out
CS for HB349
(Finance)

Discussion of HB 248

*Discussion
of HB 248*

Bob Maynard, Asst. Attorney General, explained the two major amendments that HB 248 would make:

1. Extend the time for filing tariffs from 30 to 90 days; especially concerning the Pipeline Commission.
2. The Commission presently has the ability to extend the operation of the tariff for two months. The amendment would be to extend the time to up to one year.

There are other problems that the Commission runs into due to the ambiguous usage of "carrier". It is unclear as to whether the Commission has the authority to inspect a carrier before the oil begins to flow. Also the term "affiliated interests" needs to be more clearly defined.

The proposed amendments are being drafted into a committee substitute.

(Rep. Gruening arrived at the meeting - 1:55 p.m.)

Rep. Freeman thanked Mr. Maynard for his assistance and asked him to either prepare a committee substitute or proposed amendments to the bill and submit them to the Chairman as soon as possible.

*Requested Asst
Atty Gen'l to
submit CS or
amendments.*

Discussion of SB 120

*Discussion
of SB 120*

Rep. Freeman informed the members that SB 120 is for a supplemental appropriation of \$150,000 to the Department of Education, Division of Vocational Rehabilitation and that persons from the Governor's Office would explain the reasons for this appropriation.

(Rep. Guy arrived - 2:10 p.m.)

The representative from the Governor's Office explained that last year there was Legislative Intent that they come in this year with a supplemental appropriation.

They had to shut down services for new clients as of

February 28. They do have funds to provide for the clients already in the program to last to the end of the year, but will be unable to provide services for any new clients. They have tried to absorb the medical services increase and cost to them, but have been unable to. The budget request this year included only 25% of the estimated medical expenses. In the meantime, medical procedures have gone up over 35% and they are going to have to pay the usual customer price.

Reference was made to a memorandum to Senate Finance Committee dated March 21, 1977, in which a cost breakdown was included for severely and nonseverely disabled persons. Cost figure for severely disabled is \$1512 compared to \$1200 for nonseverely disabled. Severely disabled program takes longer and costs more than the nonseverely disabled program. The division had committed all the case funds by February.

Rep. Swanson asked if the cost estimates on Page 2 in a letter from Sue Green, Special Assistant to the Governor, in the amount of \$345 per day are for the increase in hospital costs. Answer: That is correct. One example is that open heart surgery has gone up from \$7,000-\$8,000 to \$14,000.

Rep. Buchholdt referred to a memorandum dated February 10 regarding blind vending stands program. Explanation: These funds shown here are actually what pay for the opening of these stands. Rep. Duncan called attention to the fact that the memo was written two months ago and asked if the expenses were already incurred even though the supplemental had not yet been approved. Answer: The supplemental is based on a best guess since program had been in operation for just one month. There are people that are ready to go into service, but there has not been enough funds to operate with. The \$80,000 has been used to do the diagnostics of the programs.

Comments regarding the blind vending stand at the Federal building and some of the problems that were incurred.

In the March 21 memo the division showed four workload indicators. Projection for a year of 2113 referrals, 900 acceptances, and 251 extended evaluations. Those extended evaluations have to be put in facilities such as Hope Cottage. Estimate is between 45-50 people will need evaluations between now and the end of the year. Most of these people will be going into the Anchorage workshop. They deal with both physically and mentally handicapped persons. If the counselors are uncertain as to the limitations of a person that person will have to be sent to a place like ARCA for extended evaluation.

Rep. Gruening: The shortfall is not really just ARCA then. You just decide that that is where you will make

the cut? Answer: The shortfall is all over. The interruption of service comes after the evaluation process and before the service plan is put into action. Question: There are 57 people who will not be referred to the service plans if this appropriation is not passed? Answer: There would actually be 359 people who would not be able to begin their rehabilitation.

Rep. Freeman asked if there were further questions and there being none, Rep. Buchholdt made a motion to report out SB 120. There was no objection, the motion carried.

*Reported Out
SB 120*

Discussion of HB 370

*Discussion
of HB 370*

Senator Eliason explained that HB 370 is a request for a \$1,500,000 from the General Fund to the Department of Revenue for a loan to Sitka for design, site preparation and preconstruction activity for the Green Lake hydroelectric project. It was hoped that the Permanent Fund would be structured this year and there's no doubt that they could qualify for a guaranteed loan for this project. However, the project is faced with a year's layover of the project if they can't get the Permanent Fund monies this year. The Chairman of Finance Committee has a breakdown of what the funds will be specifically used for. The total project will be approximately \$40,000,000. They don't want to go through the Corps of Engineers because of the time involved; think it can be done through revenue bonds.

*Testimony of
Sen. Eliason*

Rep. Rhode asked if there would be any objection to removing "Sec. 2. If the project described in sec. 1 of this Act is not completed, repayment of the loan by the municipality of Sitka is forgiven and the sums advanced shall be a grant." Senator Eliason replied that it is not uncommon that this language be included. It is a safety factor.

Comments by Rep. Haugen in support of the bill and by Rep. Buchholdt.

Rep. Gruening asked if the community of Sitka would be uncomfortable with leaving Section 2 out, and how much they sell their revenue bonds at? Sen. Eliason replied 6%. There should be no problem with the federal money coming through, but it would be a large debt to burden the community with.

Rep. Rhode asked who the engineer is on the project and Sen. Eliason replied R. W. Beck & Associates who have been retained by quite a few other Southeastern communities.

Rep. Gruening asked if the \$420,000 has a forgiveness clause and Sen. Eliason replied that it does not.

Gruening moved for a committee substitute deleting

Sec. 2 and adding a section saying that this action takes effect immediately. There being no objection, the motion carried.

*Reported Out
Finance CS
for HB 370*

Recess at 3:05 p.m.

Tape H77-53, Log 1194
to H77-54, Log 0302

HOUSE FINANCE COMMITTEE
Tuesday, March 29, 1977
3:30 p.m.

The following members were present: Reps. Freeman, Rhode, Haugen, and Swanson. Others present were Reps. Gardiner and Specking; Bill Thomson, Director, Management & Finance, Dept. of Education.

Rep. Freeman called the meeting to order noting the lack of a quorum.

The first bill to be discussed was HB 251, for reconstruction of the school at Twin Hills. Rep. Freeman asked Mr. Thomson to comment.

HB 251

Mr. Thomson said the Department of Education endorsed the approach of building the school back as it is and at a later date adding to it. He outlined the fiscal note. He went on to say that the \$2,112,000 they have from the '76 bond does not cover all the needs for that district. A possibility is that the Department has mondy in residual accounts. We could take 178.0 in residual balance and reduce the amount needed for this. Instead of \$266,000 it would be \$138,600. Otherwise the appropriation will be lapsed. Rep. Freeman commented that if the residual was not used it would lapse into the general fund so it's just taking it out of one pocket and putting it in another.

Rep. Swanson asked if Public Works is going to build the school. Mr. Thomson replied that to the best of his knowledge it will be done by the REAAs. Rep. Haugen said we were really talking about \$266,000 to put the school back in operation.

(Rep. Meekins arrived, so there was a quorum)

Rep. Freeman moved and asked unanimous consent to report out HB 251. There was no objection; so ordered. So, HB 251 was reported out with a "do pass" recommendation.

*Reported Out
"DO PASS"*

The next subject was HB 264, relating to fisheries enhancement.

*HB 264
& HB 252*

Rep. Gardiner proposed making two amendments. One would include HB 252 in this bill. Rep. Meekins asked about mandatory assessment. Rep. Gardiner explained that the fishermen can vote to assess themselves. This is the collateral and the pay back method used to finance them and pay back the state. Rep. Meekins said it seemed to him that somewhere the loan programs should be consolidated under one administration. Rep. Gardiner said this only adds the revolving feature.

Rep. Haugen said he would like the legislation, but the idea of a mandatory program doesn't sit well. It's OK if the boat owner has to pay, but the fishermen should not have to pay. Those that have a property right to the resource should have to pay for it. Rep. Gardiner said at the point when we start rebuilding this the state will have to consider raising the tax on fish. The state should get an adequate share.

Rep. Specking commented that on the revolving loan we already have the loan mechanism, we are just setting aside some money. We are not spending additional money.

HB 264

Rep. Gardiner then called attention to HB 253. He said since we are setting up the revolving loan fund, this bill should follow it so that there's some money in the revolving loan fund. This is not intended to be a new appropriation, it just takes the appropriation made last year if the loan fund is created. Mr. Wohlforth suggested that we take out the words "political subdivision". We had this researched and found there was no problem with it.

HB 253

Rep. Rhode moved to report out a Committee Substitute for HB 264 incorporating HB 252 and asked unanimous consent. The Committee Report was circulated and CS for HB 264 was reported out with a "do pass" recommendation.

HB 264--
CS Reported
Out "DO PASS"

Rep. Rhode moved to report out HB 253. There was no objection. The Committee Report was circulated and HB 253 was reported out with a "do pass" recommendation.

HB 253
Reported Out
"DO PASS"

The meeting was adjourned at 4:15 p.m.

Tape H 77-54
#0302 - 1067

HOUSE FINANCE COMMITTEE
Wednesday, March 30, 1977
1:25 p.m.

All Committee members were present with the exception of Representatives Buchholdt, Duncan and Gruening. Also present was Alison Farnan, Fiscal Analyst, Legislative Finance Division.

Discussion of HB 167

*Discussion
of HB 167*

Mr. Wil Condon, Assistant Attorney General, explained the request for supplemental appropriation. The original request was for \$255,000 - \$35,000 for continued representation in FCC hearings for North Slope Gas Lines, \$155,000 for oil pipeline tariff matter, \$55,000 to satisfy miscellaneous judgments against the state, and \$13,000 uncommitted. Since that time, there have been a judgment for \$6,000 decided against the state and one for \$232,000 in the Morrison case. The Department is requesting an additional \$125,000 for judgments against the State. Supplemental has increased to \$512,200 since the original request. The state has entered into a contract with a law firm in Washington, D.C. to work with Department of Law to present the case before the ICC regarding tariff on the pipeline.

Exchange between Chmn. Cowper and Mr. Condon - The ICC representation by the Wash., D.C. law firm is being billed to the state at an hourly rate. It is anticipated that it will come to around \$160,000, plus \$5,000 for travel. \$185,000 was budgeted in FY 78.

(Rep. Buchholdt arrived - 1:40 p.m.)

The Department did not anticipate that they were going to have to do so much briefing before the Commission on the Alcan matter.

Rep. Cowper commented that the purpose of this legal representation before the ICC is to encourage an all-Alaska line and that if the members agree with the approach that the state supports an El Paso line, this money is probably necessary to support the state's interest before the ICC. If members of the committee do not support the El Paso line, they probably wouldn't want to vote for this appropriation.
(Rep. Duncan arrived - 1:45 p.m.)

Further discussion, including reference to letter from Ron Lind dated March 2 and letter dated March 17 regarding Morrison v. State and other judgments against the state.

Motion was made for unanimous consent to report out Committee

Substitute for HB 167 to read as follows:

"The sum of \$498,992 is appropriated to the general fund to the Department of Law, legal services, for the fiscal year ending June 30, 1977, to be allocated as follows:

ICC Representation -	\$165,000
Gas Pipeline -	60,000
Judgments against the State	273,992"

There being no objection, the motion carried unanimously with a majority "do pass" recommendation.

*Reported Out
HB 167 -
"Do Pass"*

Discussion of hB 228

*Discussion
of HB 228*

Rep. Duncan explained that the basic intent of the bill was to provide that in those areas where people have to travel to do collective bargaining, they have to pay their own way and to provide for pay for school days spent in bargaining.

Comment by Rep. Cowper that the bill relates only to the REAAs. Rep. Duncan replied that the way it was originally written was to provide administrative leave for urban area teachers as well. However, meetings in those areas usually take place in the evenings after school hours and where people do not have to travel.

Rep. Duncan commented that he does not feel that the leave should be only for 15 days; that it could be used as a "hammer" or means of delay tactic to force the teachers to make a quick settlement.

Rep. Cowper commented that this piece of legislation has been changed considerably since he first received letters regarding this matter. Management doesn't like it because it would make it possible for the teachers to attend the bargaining meetings as well.

Rep. Duncan made a motion that the committee report out a committee substitute for HB 228 with the following amendments:

Strike the words "bargaining sessions" and insert "paid administrative leave days" on Line 18.

Discussion regarding Rep. Duncan's motion which he then withdrew.

Discussion regarding "15 negotiating days per employee for each contract." Mr. Van Hout said the intent is to give them a total of 15 days - 5 days per negotiator.

Rep. Buchholdt commented that she would interpret the bill from the HESS Committee meetings to mean 15 days total with no direct bearing on the 3 employees figure.

*Discussion
of HB 228*

Rep. Duncan proposed that a subsection (h) be added to the Committee Substitute providing that if there is a connecting road between the employee's residence and the place of bargaining, each negotiator is entitled to collect administrative leave pay if the negotiations are held during the regular school hours; to accept HESS Committee Substitute down to line 18 and then change to read that the negotiators be paid administrative leave for each school day spent if the bargaining process takes place during the regular school hours.

Chmn. Cowper suggested that the proposed amendment be typed by the staff and the Committee will take up HB 228 again.

Recess - 2:50 p.m.

Meeting reconvened at 3:10 p.m. by Vice Chairman Freeman. Rep. Freeman directed the members' attention to the proposed committee substitute prepared during the recess.

Rep. Gruening suggested that, if it is the intention of the Committee to set the maximum number of days administrative leave be allowed, the wording should set the maximum and the number of days per person can be decided by the negotiators. The cost to the district is the same. Rep. Meekins commented that with Mr. Duncan's proposal they could rotate negotiators and suggested removing the wording "limited to 15" and changing it to 45 days.

Rep. Duncan moved that the proposed committee substitute be amended as follows:

Line 16 and 17 - change "15 negotiating days" to "a total of 45 days" and
Line 23 - change "15 negotiating days per employee" to "a total of 45 days for each contract."

Motion carried.

Rep. Swanson made a motion to strike the language from Line 18 to the middle of Line 22. Motion failed.

Rep. Guy inquired whether language could be added that a supplemental appropriation be submitted for the actual amounts spent the next fiscal year and suggested adding subsection (i) that would essentially provide that a supplemental appropriation would be in order for the actual

amount expended. Rep. Meekins concurred that he would like such a provision included, but in the form of Intent. Rep. Gruening commented that it could be done by a committee report.

Rep. Freeman made a motion to report out Finance Committee Substitute for HB228 with the adopted amendments. Rep. Meekins made a motion to postpone consideration of the motion to report the bill out until the following day. Objection by Rep. Swanson to Mr. Meekins' motion. Rep. Duncan commented that he had no objection to postponement of consideration to report the bill out and suggested that contact be made with the education people, not the administrative people in this matter. Motion to postpone consideration of the motion to report out HB 228 carried.

HB 228
Held Over

Discussion of CSSB 84 am

Discussion
of CSSB 84am

Mr. Ted Barnes, Budget Analyst, Division of Budget and Management gave a brief explanation of the bill.

Motion to report CSSB 84 out of committee carried unanimously.

CSSB 84 am
Reported
Out

Discussion of HCR 27

Rep. Meekins explained that the purpose of this resolution is to increase the chances of El Paso certification. It has been pointed out by the FPC that financing is a real problem. If the state would help out in the financing by guaranteeing some portion of the financing, it would probably make it competitive with the other two routes. The FPC strongly considers the cost of delivery in their decision as to which route is the best one.

Discussion
of HCR 27

Jim Edenso, Deputy Commissioner, Department of Revenue explained further that the Commissioner and he had met with delegates of the Governor's Office who had expressed strong interest in doing this and asked them to find out if El Paso is agreeable to the state's participating in the financing. Initially, the state had thought that it would be one way of helping support the venture and that it would reduce the interest rate on the speculative venture. There would be no question of the legality of a contract signed by the El Paso company for hiring Alaskans for construction of the line. There could also be agreements that supplies would be purchased through Alaska suppliers whenever possible.

If guaranteeing 10% of the package, the 10% would be \$4 million. Normally, 10-25% would have to be set aside. These funds could be invested, roughly \$80 million. Could be invested into the bonds that would be used to construct the tankers that will be used to transport. Could be invested in two or three things. The state has met with a firm for negotiating with the El Paso company for a contract. Estimates a cost of \$59,000

for completion of work and an estimated \$179,000 to complete in FY 78. We have prepared a fiscal note for the committee.

Rep. Meekins commented that it is possible that the state could have better access to the records of the construction companies of the line and could increase the well-head value as a result of this resolution.

Rep. Rhode inquired as to whether the state would become a part-owner as a result of participation in the funding. Mr. Edenso replied that it depends on what portion of the project the state becomes involved in funding.

Much of the information gained by a study of the El Paso route can be applied to portions of the other proposed routes.

Rep. Gruening made reference to the committee substitute proposed by the Special Committee on the Sale of Royalty Gas, stating that the only change is the additional "whereas" and the "further resolved". The committee waived referral of it stating that they wanted to know the feasibility of an all-Alaska pipeline.

Mr. Edenso said that they don't have the information yet and that the state could hold back the royalty of Alaska royalty gas as a bargaining tool.

Rep. Gruening moved to report out a Finance Committee Substitute for HCR 27. Motion carried.

Finance CS
for HCR 27
Reported Out

Rep. Cowper commented that a new fiscal note would have to be prepared since the present only applies to the original resolution, and asked the sponsor to prepare a revised one to accompany the committee substitute.

Meeting adjourned 4:45 p.m.

Adjourned

Tape H77-54, Log 1082
to H77-55, Log 1727

*Attachment to HFC
8. 1:15 3/30/77*

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JAY S. HAMMOND, GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811
PHONE 465-2213

March 2, 1977

Honorable Steve Cowper
Chairman, House Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Cowper:

Please amend House Bill 167 to include the following additional items for which current year funds are not available.

Gas Pipeline Representation -- \$25,000

The amount of \$35,000 previously requested will not be sufficient to meet newly projected case costs. Our updated projections indicate that a supplemental appropriation of \$60,000 will be required to provide adequate representation through June 30, 1977. Since the State has committed itself to this hearing process it becomes necessary to now commit the resources necessary to meet the hearing schedule.

Court Judgments -- \$55,000

Judgements against the State during FY 77 have totaled \$56,344 through February 17, 1977. The original appropriation of \$15,000 for this purpose has thus been overrun by \$41,344. Judgment costs are difficult to predict due to the many variables which enter into the determinations. Interest at 8% accrues on these claims from the day the judgement is entered. The requested appropriation includes approximately \$13,600 over the currently known needs listed below:

<u>Case or Claim</u>	<u>Amount</u>
<u>M.B. Development v. State of Alaska</u>	\$7,233.42
<u>Channel Bowl</u>	2,427.00
<u>Issakson v. Rickey</u>	20,000.00
<u>McGill v. Thomas and Anderson</u>	3,762.65
<u>McGill v. Thomas and Anderson</u>	8,401.75
<u>TOTAL</u>	<u>\$41,824.82</u>

Sincerely,

Ron Lind
Ron Lind
Director
385

attachments

10. [Ron Lind, Director
Division of Budget and Management
Office of the Governor

DATE: February 18, 1977

FILE NO:

TELEPHONE NO:

FROM: Avrum M. Gross
Attorney General
By: *Richard I. Pegues*
Richard I. Pegues
Administrative Officer

SUBJECT: FY77 Supplemental
Request Updated
Projections - HB
167 -- Department
of Law -- Gen Gov't
Legal Services

The Department of Law regrets to advise that our request of November 26, 1976, for \$35,000 in supplemental funds for the Gas Pipeline Case will not be sufficient to meet newly projected case costs. Our updated projections indicate that a supplemental appropriation of \$60,000 will now be required to fund case costs through June 30, 1977.

Our original request for supplemental funds was caused by expanded case hearings ordered in mid-1976 by the Federal Power Commission as a result of the unexpected application for a third pipeline route which was filed by the Northwest Pipeline Co. The expanded and extended hearings, at which more than 50 additional witnesses testified, necessarily increased our Gas Pipeline Case costs. This expanded hearing schedule was not anticipated when Pipeline case budget planning took place in the fall and winter of 1975-76. Indeed, even our November projections were short \$12,000 of the actual attorney services we utilized through December 31, 1976, in preparing and submitting numerous briefs to the FPC to present the State of Alaska's input on the additional testimony heard at the expanded hearings.

The additional costs caused by the expanded case have been further compounded by FPC Administrative Law Judge Litt's recent recommendation to the FPC Commissioners favoring the Arctic Gas Co.'s proposal for a MacKenzie River gasline route. Judge Litt's recommendation is lengthy and complex. We are now in the process of preparing and submitting new briefs for the FPC Commissioners' consideration dealing with those areas of the hearing record that needs to be reiterated to voice the State's concerns in the final selection of a gas pipeline route and which we feel Judge Litt overlooked in his recommendation to the Commission. Funding and spending levels for this case are as follows:

February 18, 1977

Current Authorization 1/31/77	\$50,000.00
Expenditures through 1/31/77	24,950.14
Obligations through 1/31/77	51,579.98
Balance Available 2/1/77	(27,629.84)

Additional Funds Required through 6/30/77:

Anticipated Billings 1/1/77 - 2/15/77	8,370.16
Anticipated Billings 2/16 - 3/31	18,000.00
Anticipated Billings 4/1 - 6/30	<u>6,000.00</u>

Anticipated Balance at 6/30/77 (\$60,000.00)

Anticipated costs through 2/15/77 are based upon estimates from our contract law firm in Washington, D.C., although a billing for this period has not been received.

The costs for the remaining periods, 2/16 - 3/31 and 4/1 - 6/30, are based upon projections arrived at by our attorney supervising this case and our contract law firm. These projections include completion of preparing briefs and the presentation of verbal arguments before the FPC in the event the Federal Power Commission should schedule such arguments. These costs will conclude the FPC phase of the Gas Pipeline Case.

It is difficult to anticipate the total costs required for a case of the scope and complexity involved in the current proceedings. For not only must we prepare and present the State's position we must also respond to the presentations and positions of others. In this case, our responsive activities include participating in a hearing schedule which was expanded by two and one-half months and answering the Administrative Law Judge's recommendation which we feel did not fully weigh evidence which is favorable to our position. Once we had committed ourselves to the hearing process it became necessary to commit the resources needed to meet the hearing schedule and thus we are now requesting an updated supplemental appropriation of \$60,000.00

AMG:jeh:RIP

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JAY S. HAMMOND, GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811
PHONE 465-2213

March 17, 1977

Honorable Steve Cowper
Chairman, House Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

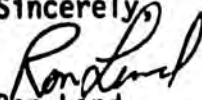
Dear Representative Cowper:

Please amend HB 167 to include an additional \$232,200 to satisfy a judgment in the matter of Morrison v. State, a highways tort case in which a 13-year old girl suffered permanent brain damage when the vehicle in which she was a passenger collided with a National Guard convoy. The road was icy and the State was held negligent in its failure to spread sand on the highway. Art Peterson, from the Department of Law, has discussed this matter with you during the last two weeks.

Damages awarded in this case total \$403,071, plus interest from January 22, 1967, the date of injury, of which the insurance company is liable for \$300,000. This case has been in litigation for many years and the State's insurance coverage, which was considered adequate at that time, has since been increased to \$100 million per occurrence in recognition of the increasingly high court awards.

Claims against the State, such as this award, are not included in the operating budget for the Dept. of Law, and may not be paid without a special legislative appropriation. The amount requested has been computed as follows:

State's portion of damages	\$153,146.85
Interest from date of injury to date of Superior Court judgment (1/22/67 to 1/6/71)	44,404.53
State's share of interest accrued during appeal process, per agreement with insurance company	34,615.78
Total	<u>\$232,167.16</u>

Sincerely,

Ron Lind
Director

cc: Art Peterson

HOUSE FINANCE COMMITTEE
Thursday, March 31, 1977
1:15 p.m.

All Committee members were present with the exception of Chairman Cowper and Representatives Haugen and Gruening. Vice-Chairman Freeman conducted the meeting. Also present were Bob Schroeder and Bob Grogan, Fiscal Analysts, Legislative Finance Division.

Discussion re HB 266

*Discussion
of HB 266*

Rep. Miller explained that this bill is for the creation of an alternative power resource revolving loan fund to make it possible for someone to obtain a loan for 20% of the cost of constructing a wind mill or another alternative power source. It would allow a person to borrow money and pay it back on a monthly basis. The fiscal impact is -0- because the Department of Commerce and Economic Development felt it would work right in with present programs. The \$250,000 appropriation is for setting up the program. The figure is set at \$250,000 with the intent that the program will be checked out after that \$250,000 ceiling is met. A 20-year payback figure was set with the ability of the people who would probably be using this in mind.

Virginia Del Perez, Alaska Conservation Society, spoke in support of the bill and placed emphasis on the concept of people seeking alternative power sources.

Rep. Swanson made a motion to amend Line 16 to read "including, but not limited to, windmills, water and solar power devices. The" and change the figure on Line 28 from \$4,000 to \$10,000. There was an objection and discussion. Rep. Swanson withdrew the second amendment and the motion to make the above stated changes to Line 16 carried. Rep. Swanson renewed his motion to change the figure in Line 28 from \$4,000 to \$10,000. There was objection to the motion again which was withdrawn after some discussion and the motion then carried. Rep. Guy moved that the bill be amended to read "windmills, water, solar power devices and auxiliary power generators". There was objection to the motion and discussion which resulted in failure of the motion.

Rep. Swanson moved for unanimous consent to report out a Finance Committee Substitute for HB 266. There was objection by Rep. Guy and the motion carried.

Report out
Finance CS
for HB 266

Discussion of SSHB 125

SSHB 125 is a bill to establish the Alaska education administration internship program. Rep. Duncan explained

*Discussion
of SSHB 125*

the purpose of the program.

(Changed tape H77-56)

Mr. Jim Beima spoke in support of the bill and said that it is designed as an intern program working through the University of Alaska. The identical program is presently offered at the University. Students will have an option of a two-year, three-year or four-year program. They try to get the student as closely stationed to their home areas as possible upon employment. A person using this grant cannot acquire a student loan as well.

Discussion regarding the need for more bi-lingual teachers and people in the administration in the villages.

Rep. Buchholdt made a motion to report out the HESS Committee Substitute for Sponsor Substitute for HB 125. There being no objection, the motion carried unanimously.

Report out
HESS CS
for SSHB
125

(Rep. Gruening arrived - 3:10 p.m.)

Discussion of HB 72

Discussion
of HB 72

Rep. Miller explained that HB 72 is for an Act relating to the creation of historical districts within municipalities - setting the guidelines for creation of commissions, establishment of historical districts, creation of revolving loan fund and guidelines for such a fund. Fiscal note is for \$1.8 million for creation of the program. The Commissioner of Revenue is favorable to this bill.

Rep. Gruening commented on objections to this bill he had received and heard and asked if it would authorize eminent domain taking of property. Rep. Miller replied that there is nothing in this bill that doesn't exist in present law except for the provision for eligibility of a loan.

Rep. Duncan made a motion to report out CSHB 72. An objection by Rep. Guy was noted and the motion to report out CSHB 72 carried.

Report out
CSHB 72

Discussion of HB 288

Discussion
of HB 288-
Report out

Rep. Duncan explained the purpose of the bill. A motion was made and carried to report out HB 288.

Meeting adjourned at 3:35 p.m.

Adjourned

Tape H77-55, Log 1739
to H77-56, Log 1243

HOUSE FINANCE COMMITTEE
Monday, April 4, 1977
1:35 p.m.

All members were present. Others present were: Reps. Cotten, Bradley, Miller, Lethin; Jim Rhode, Assistant to Rep. Cowper; Bill Thomson, Director, Management and Finance, Department of Education; Drew Pomeroy, State Assessor; Bob Maynard, AGs Office.

The first bill to be considered was HB 403, Juneau indemnification.

HB 403

Rep. Duncan said there was a proposed CS for HB 403 which makes minor changes from the original bill. Section 1 of the proposed amendments would clear up the conclusion of the indemnification program. It provides that applications will be accepted until December 31, 1985. Section 2 deals with the changes of value of homes. The proposed CS would change language to say that in no cases would the value be less than 1971-74 and would add the language "or greater than the quarterly increase in the index for the four-year period ending the preceding January 1". That sets a floor and a ceiling. The proposed amendment would allow new property after January 1, 1978, to be covered. It would allow for continued construction in the Juneau area. Rep. Duncan added that no one at this point has ever thought of using the indemnification act.

*Proposed
CS*

Rep. Cowper asked what "real property" meant in Section 3. Rep. Duncan said it means new homes. Rep. Cowper said he thought there should be clearer language than that. Legislative Affairs should make a better definition.

Rep. Miller commented that this legislation is really just a clarification of what's on the books. It's a continuation of what the last legislature did. By having a good, fair bill on the books we are probably precluding the chances that the indemnification act will be used at all. That's what we are driving for.

Rep. Cowper suggested setting aside HB 403 until the State Assessor arrived.

The next bill to come up was HB 51, relating to veterans' loans.

HB 51

Rep. Cowper moved and asked unanimous consent to report out Finance Committee Substitute for HB 51 working off the Commerce CS substituting \$68,250 for \$75,000 and adding a Sec. 3 with an effective date of July 1, 1977. Rep. Bradley commented that \$75,000 had been said to be better as a figure. This seems to be a narrow class of preferred customers because it's limited to residency and being a veteran.

*Finance CS
Reported out
"DO PASS"*

Rep. Cowper asked for a vote on his motion. There was no objection, so Finance CS for HB 51 was reported out with a "do pass" recommendation.

The next bill before the Committee was SB 120, a supplemental appropriation to Department of Education. Rep. Cowper explained that this bill had previously been reported out, but he had called it back. SB 120

Rep. Cowper explained that he had a request from the Bethel area for maintenance of some translators. They need \$12,000 to maintain them. They were built to use sonar power. Rep. Cowper moved and asked unanimous consent for the adoption of Finance Committee Substitute for SB 120 adding a section 2 to the bill to read: "The sum of \$12,000 is appropriated from the General Fund to the Department of Education for maintenance of translators in the Bethel area." This would change the present Sec. 2 with the effective date to Sec. 3. There was no objection to the motion; so ordered. So, Finance CS for SB 120 was reported out with a "do pass" recommendation. Finance CS
Reported out
"DO PASS"

The next bill for consideration was HB 259, fiscally informed voters. HB 259

Rep. Rhode asked how big a document would be mailed. Rep. Lethin answered that it would be 30-35 pages. It would come out as fast as the Legislative Finance staff could get it distributed. Rep. Lethin explained that the fiscal note was made with the other concept of mailing the entire free conference committee report, so was, therefore, inaccurate. Rep. Buchholdt said she liked the first concept better because it reaches the voters better. Rep. Cowper said his intent would be to hold this bill for a while. We should request a revised fiscal note. The Committee Substitute is completely different than the original bill. Rep. Gruening said he felt the Governor's vetos should show up as well. Rep. Cowper said he would request the Division of Elections to prepare a revised fiscal note. He also said he thought there might be some important amendments to this bill.

The next topic was the fiscal note for HCR 27. Rep. Gruening said the original resolution says we can look at the El Paso proposal for \$250,000. Rep. Gruening said he felt that with \$100-150,000 the state could finance a study to see if we should finance a smaller diameter line for royalty gas. Rep. Meekins moved a fiscal note with an addition of \$150,000 for the royalty gas pipeline study; no objection, so ordered. A revised fiscal note will be prepared to accompany the resolution to the Chief Clerk's office. HCR 27

Revised
Fiscal Note

Rep. Cowper then called consideration back to HB 403, Juneau indemnification. A fiscal note was handed out, but Rep. Duncan said the impact could range from 0 - 95% of \$314,016,750. There's no additional administrative cost. Rep. Cowper asked Rep. Duncan to come back with a proposed CS clarifying the language on page 2. HB 403

request for
revised
language

The State Assessor, Drew Pomeroy, arrived, so Rep. Cowper asked him for a definition of real property. Mr. Pomeroy explained that this was a term used in appraising or assessing. The land doesn't come in new, but there are many properties that do come into existence. Perhaps on the base-year assessment it was a vacant lot. Then a building was constructed to make new property. Any physical change on a property creates new property. The Committee discussed several variations on the "real property" theme. Rep. Cowper asked the subcommittee to come up with alternative language and come before the Committee tomorrow. State
Assessor

The next bill to be discussed was HB 89, state aid to school construction. HB 89 Rep. Cotten said this proposes to increase the state's participation. He suggested raising it from 50% to 80% even though the HESS Committee had recommended it be raised to 90%.

Rep. Cotten explained that the school district bonds for construction. The state reimburses two years after the first payment is made. The philosophy behind the bill is that the state take a greater responsibility in paying for the school buildings. The 80% figure took into consideration that the local school district should retain some responsibility. The administration has a slightly different proposal that would require some additional responsibility on the local level. Rep. Cowper said he would observe that several people connected with school boards are leary of raising this up to 90%. Rep. Haugen said he didn't think it was equitable for someone to come in and have the 50% base and then someone comes in at 80%. Rep. Haugen said his district has a community that's paying the 50%. Another district that's voted down bond issues would get 80% funding. We should analyze this whole thing to see if we should go to 100% funding of debt service. Rep. Cowper suggested holding HB 89 for now.

The next bill to come up was HB 248, relating to the Alaska Pipeline Commission. HB 248

Mr. Maynard said this relates to the problems with the investigations of Alyeska at the moment and some problems with the existing act.

In the proposed CS, Rep. Cowper asked what was meant by the term "affiliated interest". Mr. Maynard said it had to do with the financing structure of the pipeline and the pipeline carriers. Adding this is to make sure that some information cannot escape from regulation.

Mr. Rhode said he had spoken to Mr. Burnham, and the purpose of that phrase was in recordkeeping obligations. The absence of the phrase would mean that the pipeline, Alyeska, could be compelled to keep records, but not the parent company. Rep. Cowper said some of these proposed amendments are necessary to let the Pipeline Commission do its work. Rep. Gruening commented that both the commissioners have offered to testify to the Committee. Rep. Meekins said he would like to hear from the commissioners.

Rep. Cowper said the bill would be set aside for now and taken up when the commissioners were available to testify.

The meeting was adjourned at 3:35 p.m.

Tape H 77-56 # 1247
to Tape H 77-57 #1074.

HOUSE FINANCE COMMITTEE
Monday, April 4, 1977
4:10 p.m.

Meeting reconvened at 4:10 p.m. All Committee members were present with the exception of Reps. Cowper and Rhode. Also present was William D. Thomson, Director, Management, Law and Finance.

Discussion of HB 89

*Discussion
of HB 89*

Mr. Thomson gave a brief explanation of CSHB 89 (Finance). The DOE has not prepared a fiscal note; they were not asked to. The largest cost would be item No. 1 - somewhere between \$60-70 million to pick up outstanding debts existing before 1976; No. 2 - \$11-12 million per year; and #No. 3 - approximately \$18-20 million per year. The Department already, has by regulation, approval of these projects. If the Legislature appropriated the funds, the school district would pay off the debt and thereby do away with having to pay the principal and interest, which would probably be double the present amount.

(Rep. Cowper arrived - 4:20 p.m.)

Rep. Haugen brought up the possibility of a prepayment penalty by the lending parties to these loans to be paid off. Mr. Thomson replied that to do away with the possibility of having to pay prepayment penalties for some of them, they would have to handle each loan debt separately and propose legislation for each separately at this point. Rep. Haugen suggested that this bill be held over for further consideration after the Board of Education and the Legislature worked out a system to resolve the matter.

Held Over

Comments by Rep. Swanson and further explanation of the Department of Education's desire to equalize state aid across the state. They are trying to give the same entitlement, as to facilities, regardless of the district - a school for fifty children in Pelican should receive the same treatment as a school for fifty children in Anchorage.

Chmn. Cowper thanked Mr. Thomson and asked for volunteers to work on a committee with the Department of Education in formulating an approach to this matter. Rep. Haugen and Rep. Swanson volunteered and Chmn. Cowper appointed Rep. Meekins, Rep. Buchholdt and himself to be on the committee to be chaired by Rep. Haugen.

*Committee to
work with DOE*

Discussion of HB 403

*Discussion
of HB 403*

Rep. Duncan explained that the proposed amendment drafted and which members were given copies of, is to provide

that subdivisions made on paper only could not qualify as improvements. Rep. Gruening made a motion that the Committee adopt the proposed amendment. There was an objection by Rep. Freeman noted, and the motion failed.

Discussion regarding the pros and cons of inclusion of businesses and the positive effect of the proposed amendment in regards to passage of the bill. A motion was made for reconsideration of the previous motion for the Committee to adopt the proposed amendment. Rep. Freeman objected and requested his objection be noted and the motion carried.

Rep. Buchholdt commented that she would like to see a cutoff date on the improvements and new construction and moved to amend Page 2 on Line 6 by changing the date from "January 1, 1978" to January 1, 1980 and on Line 8, change from "1978" to 1980. Objection by Rep. Duncan and the motion failed.

Rep. Freeman made a motion to report out with unanimous consent Finance Committee Substitute HB 403 with the adopted amendments. The motion carried with a majority "Do Pass" recommendation.

Report Out
Finance CS
for HB 403

Discussion of HB 381

A motion was made to report out HESS CS for HB 381. There being no objection, the motion carried.

Report Out
HESS CS
for HB 381

Meeting adjourned at 5:00 p.m.

Adjourned

Tape H77-57, Log 1074
to Log 1918

HOUSE FINANCE COMMITTEE
Tuesday, April 5, 1977
2:55 p.m.

All Committee members were present with the exception of Representatives Schaeffer and Swanson. Also present were Mr. Breeze and Mr. Burnham, Alaska Pipeline Commission, and Carolyn Guess, Commissioner, Public Utilities Commission.

Discussion of HB 264

*Discussion
of HB 264*

HB 264 was reported out previously but held for a revised fiscal note. HB 252 was added to HB 264 as an amendment. HB 264 was reported out by a Committee Substitute incorporating HB 252 into it. A motion was made to accept the revised fiscal note for CSHB 264 with \$900,000 for FY 77 and FY 78 figure. There being no objection, the motion carried.

Discussion of HB 248

*Discussion
of HB 248*

"An Act relating to the Alaska Pipeline Commission; and providing for an effective date."

Chairman Cowper invited Mr. Bob Breeze of the Alaska Pipeline Commission to speak on HB 248. Mr. Breeze said HB 248 incorporates a number of changes that the Commission feels would be of significant value in aiding them in cost overruns. The Commission has been relatively inactive except for the last eight or nine months. They have come across provisions in the statutes which, if not changed, will weaken the effectiveness of the Commission and continue to cause problems. (Reference to letter dated December 30, 1976, from Harry Donahue, Chairman of Alaska Pipeline Commission, to Governor Hammond) The letter of Mr. Donahue to the Governor is, basically, a synopsis of sections 1 through 8 of this bill. Those were the provisions that the Commission requested be introduced.

(Secretary left the room to make copies of letter for Committee members - tape recorder running.)

Mr. Breeze introduced Mr. Richard Burnham of the Attorney General's Office. Mr. Burnham explained the two sections they wished to incorporate into the bill. The provisions are suggested in order to implement investigative procedures and authority of the Commission. The existing statutes make it difficult and time consuming for the Commission. Sections 1 and 2 of the proposed amendments are submitted to include affiliated interests in the statutes. Section 3 of the proposed amendment relates to the definition of connection and interconnection.

Mr. Breeze gave a brief explanation of the reason necessitating the defining of connection and interconnection. Alyeska is intending to discourage interconnections and charge for the use of the pipeline thus making it more costly for potential users. The parties should be able to appear before the Commission and each make their own arguments regarding the cost of connections and interconnections. By charging prohibitive fees for the interconnections, Alyeska can effectively make it impossible for the user companies to be able to connect.

*Discussion
of HB 248*

The proposed amendments to Section 5 are to assist the Commission in regulating the transferring or selling of operating authority to a third party.

Proposed amendments to Section 6 are primarily for the purpose of affording the Commission more time to make complete analysis of a proposed rate revision, charge, rule, regulation, or conditions of service or practice in order to make a decision in the best interest of all parties involved.

Section 7 addresses itself to giving the Commission the authority to suspend the operation of a tariff filing for an additional period of six months following the end of the initial suspension period, if good cause is shown, pending the outcome of a hearing.

(Changed tape - H77-58)

The proposed amendment to Section 9 would regulate the location and manner of record keeping by an oil or gas pipeline carrier or its affiliated interest and provide that the party being reviewed bear the cost of making those records available to the Commission.

Section 10 is a restatement to clarify the authority of the Commission in its investigative capacities. There have been problems in the taking of depositions of some of the Bec-Tel (phonetic spelling) employees in California. This proposed change in the statutes should preclude the necessity of waiting for changes in the Commission's regulations and clarify the matter so that the Commission's authority is not always subject to a court challenge. Mr. Burnham explained the vulnerabilities of the Commission's authority in the existing statutes.

Mr. Breeze explained the reasons for some of the weaknesses in the existing statutes and Commission's regulations. The regulations are at best vague and because of the wording the investigative authority is constantly be contested by the oil companies, particularly Alyeska. The proposed amendment to Section 11 would provide a means by which the Committee would be able to subpoena persons and records without having to wait for the normal lengthy judicial process. Experience has shown that when persons and records are subpoenaed by the Commission

the companies are notified and the parties and records are out of the state and more time is lost.

*Discussion
of HB 248*

It is proposed that Section 10 be amended to include "coal, or other mineral slurry". A coal slurry is similar to an oil or gas pipeline. There's a good deal of interest in coal slurries in various parts of the United States and Mexico. The process is similar to transporting of oil or gas via pipelines and should be covered by the same regulations. Since they are competing sources of energy, they should come under the jurisdiction of the Commission and its regulations.

The proposed amendment to Section 16 is for definition and clarification of the term "affiliated interest". The existing terminology in the regulations is continually being questioned and a lot of time is wasted in arguing these points.

Mr. Burnham explained that he had an airplane reservation and would like to leave the meeting unless the Committee members had further questions to ask him. Chairman Cowper thanked him for his attendance and assistance.

Mr. Breeze explained the effect of tariff rate settings and definitions of various terms in regard to intra and inter state pipelines.

Representative Gruening said that in addition, there is the hope that this information will be used to assist in setting a tariff by the ICC.

Mr. Breeze commented that it is clear that the Commission hopes to have the study completed in time to be used in the hearings before the ICC.

Representative Meekins made a motion that the Committee report out CS HB 248 with individual recommendations.

Chairman Cowper asked if anyone else in the room wished to testify on this bill before the Committee passed on it. There was no response from any of the persons present. However, Representative Guy pointed out that some of the changes proposed in a Memorandum dated March 3, 1977, from Gregg K. Erikson, Director of Research, to Representative Sally Smith had not been incorporated in the Committee Substitute. Chairman Cowper stated that he thought they had been included and that it was his intention that that be done. Representative Meekins withdrew his motion and Representative Gruening made a motion that the amendments proposed in Mr. Erikson's Memorandum be incorporated in the Committee Substitute. (Separate motions were made and carried on each amendment to be added.

See copy of CS HB 248 attached.) Representative Meekins made a motion for unanimous consent to report out House Finance Committee Substitute dated April 5, 1977, plus the amendments made and adopted by the Committee. There being no objection, the motion carried with a majority of "Do Pass" recommendations.

Report Out
Finance CS
for HB 248
"Do Pass"

Discussion of HB 285

Discussion
of HB 285

Carolyn Guess, Commissioner, Alaska Public Utilities Commission spoke in support of HB 285 giving a brief background of the bill. The REAA's last July, in looking at their budgets, decided the electrical rates were unfair. The state is involved in providing electricity in the rural areas to the schools through the school districts. The REAA's felt that they they were subsidizing the utilities with education monies. The money to the school districts from the state for electrification did not cover the continually rising rates. A determination has never been made as to what it really does cost to provide electricity for the rural schools. A thorough study of the cost-of-service and management of AVEC needs to be done under the direction of the APUC. AVEC is in critical condition right now.

An AVEC consumer is charged the same regardless of the location or size of the community. The study will allow the Commission to determine an equitable rate. AVEC has spent the majority of their time attempting to deliver power. Their records are in very poor condition and far behind. The REA has put certain restraints on AVEC that seem to make it very difficult for them to operate.

Rep. Rhode commented that the villages have been subsidized by FAA as well. The REA, when making a loan, make a feasibility study before making the loan. Do they have meters or are they on a flat rate (re the schools)? Answer: They are on meters. The operator is hired by the village and not AVEC and is responsible for sending the records to AVEC. Sometimes they do it and sometimes they don't. The REA will allow the village operator to be paid only \$250 per month. The manager seems to be making a good effort to provide the power and is working on a day-to-day basis. One problem the Commission faces is that Washington says that the only way the villages in Alaska will receive power is through AVEC.

In response to a question regarding AVEC's debt service, Ms. Guess replied that their cash flow is \$63,000, accounts payable is \$349,000. They were granted emergency relief and received a loan of \$1 million which will not last them very long.

Ms. Guess replied to Chmn. Cowper's question regarding changes in the fiscal note that it was her intention to transfer funds from the existing APUC budget to this program if the figures in the fiscal note do not cover everything. Also, Community and Regional Affairs will be an important source. The fiscal note does not provide for monies for the testimony that will have to be given before the Commission by the experts doing this study, or for transcribing the hearings. Schools put a demand on the system that a small consumer does not. Last year the Legislature commissioned a study of the systems. Greg Erickson made a study and a draft has been drawn of that report.

In response to Rep. Rhode's comment that the REA should share some of the expense for this, Ms. Guess said that the REA does not seem to be interested in helping their clients at all. She and Sue Green have tried to get their assistance. It seems that they would rather let AVEC "go belly up" than assist them.

*Discussion of
HB 285*

Rep. Gruening made a motion to report out HB 285 with unanimous consent. There was objection by Rep. Swanson noted and further discussion. Rep. Cowper commented that he believes this is a unique situation. This problem does not exist in the cities. He agrees that someone else should pay for it, but no one else is going to and the work really needs to be done. Ms. Guess further commented that the study would include possible alternatives to the present system. There is a real question as to whether power can be effectively delivered from a centralized system such as the way this one is set up.

*Motion to
Report Out
HB 285*

Chmn. Cowper reminded the members that there is a motion already before them to report out HB 285 and that, unless there is objection, the motion carries. The motion carried with a majority "do pass" recommendation.

*Carried with
"Do Pass"
Recommendation*

Meeting adjourned at 5:30 p.m.

Adjourned

Tape H77-57, Log 1929
to H77-58, Log 2314

Original sponsor: Rules Committee by request
of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 248 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Pipeline Commission; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 42.06.140(1) is amended to read:

10 (1) shall regulate pipelines and pipeline carriers and
11 affiliated interests in the state;

12 * Sec. 2. AS 42.06.140(4) is amended to read:

13 (4) may require pipeline carriers and affiliated interests
14 to file with the commission reports and other information and data
15 required or permitted to be required by other provisions of this chapter;

16 * Sec. 3. AS 42.06.140(8) is amended to read:

17 (8) shall require permits for the construction, enlargement
18 in size or operating capacity, extension, connection and interconnection,
19 operation or abandonment of any oil or gas pipeline facility or facili-
20 ties, subject to necessary and reasonable terms, conditions and limita-
21 tions;

22 * Sec. 4. AS 42.06.140(10) is amended to read:

23 (10) shall provide all reasonable assistance to the Depart-
24 ment of Law in intervening in, offering evidence in, and participating
25 in proceedings involving a pipeline carrier or affiliated interest
26 and affecting the interests of the state, before an officer, department,
27 board, commission or court of another state or the United States.

28 * Sec. 5. AS 42.06.305 is amended to read:

29 Sec. 42.06.305. TRANSFER OF OPERATING AUTHORITY [CERTIFICATE].

1 Operating authority [A CERTIFICATE] may not be transferred by sale or
2 lease of the certificate or by the sale of substantially all of the
3 stock or assets of a pipeline carrier holding a certificate [SOLD OR
4 LEASED, RENTED OR TRANSFERRED] without the prior approval of the commis-
5 sion. A [; THE] transfer [OF A CERTIFICATE] not involving a substantial
6 change in [OF] ownership shall be summarily approved.

7 * Sec. 6. AS 42.06.390 is repealed and re-enacted to read:

8 Sec. 42.06.390. INITIAL OR REVISED RATES. (a) No pipeline carrier
9 may establish or place in effect any initial rates, charges, rules,
10 regulations, conditions of service or practices except after 90 days
11 notice to the commission and to the public. Notice shall be given by
12 filing with the commission and keeping open for public inspection the
13 tariff provisions which shall plainly indicate the time when the tariff
14 will go into effect. The commission may prescribe additional means of
15 giving notice. The commission, for good cause shown, may allow initial
16 tariffs to take effect on less than 90 days notice under conditions the
17 commission prescribes by order.

18 (b) No pipeline carrier may establish or place in effect any
19 revised rates, charges, rules, regulations, conditions of service or
20 practices except after 30 days notice to the commission and to the
21 public. Notice shall be given by filing with the commission and keeping
22 open for public inspection the revised tariff provisions which shall
23 plainly indicate the changes to be made in the schedules then in force
24 and the time when the changes will go into effect. The commission may
25 prescribe additional means of giving notice. The commission, for good
26 cause shown, may allow changes to take effect on less than 30 days
27 notice under conditions the commission prescribes by order.

28 (c) Initial and revised tariffs shall be filed in the manner
29 provided in sec. 350 of this chapter.

1 * Sec. 7. AS 42.06.400(a) is amended to read:

2 (a) When a tariff filing is made containing an initial [A NEW] or
3 revised rate, classification, rule, regulation, practice, or condition
4 of service the commission may, either upon written complaint or upon its
5 own motion, after reasonable notice, conduct a hearing to determine the
6 reasonableness and propriety of the filing. Pending a hearing the
7 commission may, by order stating the reasons for its action, suspend the
8 operation of the tariff filing for an initial period not longer than six
9 months beyond the time when it would otherwise go into effect. If good
10 cause is shown, the commission may suspend the operation of the tariff
11 filing for an additional period not to exceed one year following the end
12 of the initial suspension period.

13 * Sec. 8. AS 42.06.430(3) is amended to read:

14 (3) The commission may by regulation require a pipeline
15 carrier or affiliated interest to establish and maintain as part of its
16 system of accounts continuing property records showing, as to property
17 units in this state, the year of placement in service, original cost and
18 current location, and, as to a pipeline system, accounts and records in
19 a manner showing, on a current basis, the original cost of the system in
20 the state and related reserves for depreciation. From time to time the
21 commission shall determine the proper and adequate rates of depreciation
22 for each major class of property of an oil or gas pipeline facility.

23 * Sec. 9. AS 42.06.440 is amended to read:

24 Sec. AS 42.06.440. INSPECTION OF RECORDS. Subject to AS 31.05.-
25 035(c), the commission shall at all reasonable times have access to, and
26 may designate any of its employees, agents or consultants to inspect and
27 examine, the accounts, records, books, maps, inventories, appraisals,
28 valuations, or other reports and documents, kept by an oil or gas
29 pipeline carrier or its affiliated interests, or prepared or kept for

1 it by others, which relate to any contract or transaction between them.
2 The commission may require an oil or gas pipeline carrier or its affili-
3 ated interest to file with the commission copies of any or all of these
4 accounts, records, books, maps, inventories, appraisals, valuations, or
5 other reports and documents, or to maintain those materials at some
6 convenient location in the state specified by order. Costs incurred in
7 complying with a commission request to review the records referred to in
8 this section or to maintain these records in such a manner as to make
9 them conveniently available for the commission's review shall be borne
10 by the party controlling the records.

11 * Sec. 10. AS 42.06.450 is repealed and re-enacted to read:

12 Sec. 42.06.450. INVESTIGATIONS. The commission may investigate
13 any matter which affects the cost or quality of transportation of oil or
14 gas in this state by pipeline carriers or affiliated interests or of
15 related services and may ensure compliance by pipeline carriers and
16 their affiliated interests with the provisions of this chapter. Inves-
17 tigation may be public, nonpublic, or both. In conducting investiga-
18 tions, the commission may compel the attendance and testimony of wit-
19 nesses and the production of records and testimony before the commission
20 or its designee. In the course of a nonpublic investigation, the com-
21 mission shall exclude from attendance at the taking of investigative
22 testimony all persons except the person compelled to attend, his attor-
23 ney, members of the commission or the commission's staff, and a person
24 authorized to transcribe the proceedings. Following an investigation
25 and after providing reasonable notice and opportunity for hearing, the
26 commission may institute proceedings to determine whether unreasonable
27 practices have occurred, whether expenditures have been imprudently
28 incurred, the costs of those practices or expenditures, and whether a
29 pipeline carrier and its affiliated interests are in compliance with

1 this chapter. Following such a determination, the commission shall take
2 appropriate action to ensure that neither the direct nor indirect costs
3 of any unreasonable practices or imprudent expenditures are included in
4 any tariff or rate of a pipeline carrier or are borne by the public or
5 the State of Alaska.

6 * Sec. 11. AS 42.06.480(b) is amended to read:

7 (b) The [IF NO APPEAL IS TAKEN FROM A FINAL ORDER OF THE COMMISS-
8 SION, THE] commission may apply to the superior court for enforcement of
9 this chapter, the regulations adopted under it and the orders of the
10 commission. The court shall enforce the order by injunction or other
11 process.

12 * Sec. 12. AS 42.06.490(a) is amended to read:

13 (a) Any person (including a commissioner or employee of the
14 commission) may file a complaint with the commission under AS 44.62.360
15 alleging that a rate, price, service, practice or action of a pipeline
16 carrier or affiliated interest violates this chapter or regulations
17 adopted under it, or that a pipeline carrier or affiliated interest
18 has not complied with the certificate issued under this chapter.

19 * Sec. 13. AS 42.06.540(a) is amended to read:

20 (a) In addition to all other penalties and remedies provided by
21 law, every person subject to the provisions of this chapter, as well as
22 their officers, managers, agents or employees, that either violates or
23 procures, aids, or abets the violation of any provision of this chapter,
24 or of an order, rule, regulation or written requirement of the commis-
25 sion, or that fails to comply with a properly issued subpoena, is sub-
26 ject to a maximum penalty of \$500 for each violation.

27 * Sec. 14. AS 42.06.630(9) is amended to read:

28 (9) "pipeline" or "pipeline facility" means all the facili-
29 ties of a total system of pipe (whether owned or operated by a pipeline

1 carrier under a contract, agreement, or lease) in this state used by a
2 pipeline carrier for transportation, for hire and as a common carrier,
3 of oil, [OR] gas, coal, or other mineral slurry for delivery, storage,
4 or further transportation, and including all pipe, pump and compressor
5 stations, station equipment, and all other facilities used or necessary
6 for an integral line of pipe to effectuate the transportation from point
7 to point, excluding, however, gas processing plants, treaters and
8 separators;

9 * Sec. 15. AS 42.06.630(10) is amended to read:

10 (10) "pipeline carrier" means the owner, including corpora-
11 tions organized under the laws of the United States or of any state
12 [OTHER STATES], of any pipeline, as the term is defined in this section,
13 or any interest in it, or any person, including corporations organized
14 under the laws of the United States or of any state, authorized to con-
15 struct or extend pipeline facilities under sec. 240(a) of this chapter;

16 * Sec. 16. AS 42.06.630 is amended by adding a new paragraph to read:

17 (13) "affiliated interest" means any person or other entity

18 (A) which is controlled or owned, in whole or part, by a
19 pipeline carrier;

20 (B) which is controlled or owned, in whole or in part,
21 by an entity which controls or owns, in whole or in part, a pipe-
22 line carrier;

23 (C) which is an agent, employee, contractor, or sub-
24 contractor of a pipeline carrier or any entity controlled or owned,
25 in whole or in part, by a pipeline carrier; or

26 (D) which controls or owns, in whole or in part, a
27 pipeline carrier.

28 * Sec. 17. This Act takes effect immediately in accordance with AS 01.10.

29 070(c).

HOUSE FINANCE COMMITTEE
Wednesday, April 6, 1977
2:05 p.m.

All members were present except Reps. Rhode, Guy, and Gruening. Others present were Rep. Miller; Sen. Hohman; Bob Grogan, Fiscal Analyst, Legislative Finance; Allen Linn, Director, Division of Agriculture; Dr. F. S. Hunsinger; A representative from Dept. of Natural Resources.

The first bill for consideration was HB 353.

HB 353

Rep. Cowper asked Rep. Swanson for a rundown on the bill. Rep. Swanson explained that this legislation was the result of 4-5 pieces of legislation from conception to this point. This is an activity that would pay off through an agricultural program. Delta was chosen to be a pilot project. The Governor's Office held a series of meetings in Delta working out the details of what lands would be used. Rep. Swanson explained that 40 copies of the Committee Substitute for the bill were sent to Delta for the public's input. The residents of Delta asked us to make some changes, and they are in this work draft copy of HB 353. Rep. Swanson then read through the bill for the benefit of the Committee.

Rep. Swanson continued saying that on page 5 they had tried to cover anyone interested in an agricultural project. There was a decision not to put a stipulation in the bill that would limit the size. The Commissioner of Natural Resources at first felt that power was being taken away from the Commissioner, but that's not true. The Director will be working at the direction of the Commissioner.

Rep. Cowper asked Mr. Linn to comment on the original HB 353. Mr. Linn explained that he was not at the meeting representing the administration. They have not adopted a position. On the question of fiscal impacts--it would come in two formats. One would be a regulation adoption procedure and from that a set of projections about what will be done in the project with specific plans. Mr. Linn said that his feeling was that to get a significant quantity of agriculture going in the state it has to be justified to be economically viable and beneficial to the state as a whole. From studies that were done it appeared that grain was the most supportable, the most applicable to the uses of the state of Alaska.

Rep. Cowper explained that what happened is that there was a task force that came up with the figure of 55,000 acres which would be a minimum sized experiment to see if the growing of barley could be done in an economic manner. Rep. Cowper said it was his understanding that the yield of the barley there is much higher than it is elsewhere. The purpose of this project is to see if it works.

Rep. Swanson said that when the amendments were worked out, every request that the farmers made at the meeting on the bill was followed. They unanimously supported the changes made in the bill.

Rep. Cowper asked if it was contemplated that this barley would take care of Alaska's needs first and the excess would be exported. Mr. Linn responded that the most profitable market will be the domestic market. Rep. Cowper asked if they would need a grain elevator there. Mr. Linn answered that there will be some need for storage and drying. Rep. Swanson added that waste heat could be utilized in the drying. Rep. Cowper asked how the storage would be financed. Rep. Swanson said they could go to the permanent fund to loan money to a business to build it. Mr. Linn interjected that funds may be available from other sources for the funding of the elevator/drier complex.

Rep. Cowper asked Dr. Hunsinger for comments. Dr. Hunsinger said we agree with the need for something like this if we are going to do anything in the agricultural field. There are blocks of land that might be potential locations for future projects. Mr. Linn said it's difficult to imagine what capacity the state of Alaska has for producing food. We feel that the current estimates are conservative. We are at 20,000,000 acres now; under our estimates this would feed 120,000,000+ people.

Rep. Cowper asked Rep. Swanson to continue with his explanation of the bill. Rep. Swanson said that on page 5 it says the price may not be greater than the cost. Rep. Cowper commented that that should be changed to "the price shall be the cost" so the state would not charge less than the amount they have in the land.

Rep. Swanson pointed out that the Committee had OK'd \$30,000 for the Delta Farming Project in the capital budget. That will be used for clearing a section of land using different methods of clearing land so we have a figure of what the cost will be to clear an acre of land. That way the state will know in the future before entering into a contract.

Rep. Swanson said he had a fiscal note on the bill for about \$1,500,000 from Ted Smith. Rep. Swanson said he didn't agree with that and felt that we should go cautiously and add only one position in the range of a 16-18 and give him \$3,000 worth of travel and \$500 worth of commodities replacing the suggested amount. Rep. Swanson added that by next week he would know what it will take to do this project and could come back with a bonafide program. Rep. Cowper said he didn't see why it would cost the state anything if we are charging for the land. Rep. Swanson said we could include the cost of administration into the cost of the land.

fiscal note

Rep. Cowper said he had heard there was heavy equipment available for use by the state at cost. It's waiting around for construction of a gas pipeline. Mr. Linn said he thought there would be an outside chance of getting some significant cost reduction for clearing.

Rep. Swanson said he would like to see the bill moved out of Committee. Rep. Cowper said he felt there should first be a drafting session and also a chance to take more testimony. Rep. Cowper asked if there were others to testify on the bill. A representative of the Department of Natural Resources said the Department has substantial difficulties with the bill. The Department of Natural Resources would like an opportunity to make a presentation on the bill.

Rep. Cowper appointed a subcommittee of: Swanson, Chairman; Cowper; and Rhode to go over HB 353.

HB 353
Subcommittee
appointed

The next bill to be discussed was HB 352. Rep. Swanson said this should be aligned with the people in agricultural development. These homesites are within the boundaries of the agricultural project. They are set to the same standards as the cost of survey title. The bill is tied to the agricultural project; it's not a promotional scheme.

HB 352

Rep. Cowper asked Mr. Linn and Dr. Honsinger for comments. Mr. Linn said he felt the things in this bill were important. There is the need for some part-time help. Rep. Schaeffer asked about future uses of the land. Rep. Swanson replied that these are homesites. They cannot be for multiple dwellings. Rep. Schaeffer commented that once a person gets the right to the property he is pretty much able to do what he wants to with it. Rep. Cowper asked what would be wrong with having someone put up a four-plex apartment for the people working the land. Rep. Swanson replied that once you open the gate to a housing project you are gone.

Rep. Cowper asked about the fiscal note of \$1,787,000. Rep. Swanson said it wouldn't cost that much. This summer we could come up with some honest figures to come back to the Finance Committee with.

fiscal note

Rep. Freeman wondered why it was necessary to build roads and power lines for farm hands. The program doesn't need to be so complicated. Rep. Swanson replied that the people had put forth a rationale that if we make land available it should be available to the little as well as big man.

Rep. Cowper appointed a subcommittee of: Swanson, Chairman; Cowper; and Rhode to review the bill.

Subcommittee
appointed

The next topic was HCR 47. Rep. Cowper explained that they were trying to arrange some kind of mechanism for all data generated by the state through public funds to be computerized and accessible to people in the state. Someday you could punch a computer in Kodiak and it would tell you where to get the information.

HCR 47

Rep. Cowper suggested a fiscal note of \$50,000. The reason for that is that we need someone to do research on what the Library of Congress is doing in this regard. Rep. Cowper moved and asked unanimous consent that we report out a Committee Substitute for HCR 47 "Relating to the creation of a legislative interim committee". Reduce the people from 7-5. There was no objection to motion; so, CS for HCR 47 was reported out with a "do pass" recommendation. Also, there was no objection to a fiscal note of \$50,000; so ordered.

fiscal note

CS reported
out "DO PASS"

The meeting was adjourned at 3:45 p.m.

Tape H 77-59
#0000 - 2064

HOUSE FINANCE COMMITTEE
Wednesday, April 13, 1977
11:30 p.m.

All Committee members were present with the exception of Representatives Rhode, Guy and Schaeffer.

Discussion of HB 352

*Discussion
of HB 352*

Rep. Swanson made a motion to omit the language on Lines 9 through 11, Page 4. There being no objection, the motion carried.

Rep. Swanson made a motion to report out a Finance Committee Substitute incorporating the amendments to the proposed CS adopted by the Committee. There being no objection, the motion carried to report out CSHB 352(Finance) with a majority "do pass" recommendation.

*Reported Out
Finance CS
for HB 352*

Motion was made to approve a fiscal note of -0- to accompany CSHB 352 (Finance) with a notation that all expenses involved in the implementation of the Act were included in the fiscal note for HB 353. Any expenses incurred by the state are to be recovered by the sale of the land. There being no objection, the motion carried.

*Fiscal Note
with Notation
of Committee
Intent*

Discussion of HB 295

*Discussion
of HB 295*

Chmn. Cowper explained that HB 295 is for funds to extend the telecommunications project for another six months.

Rep. Duncan made a motion to report out HB 295. Rep. Freeman objected for the purposes of discussion.

Rep. Duncan explained that the money for the project will expire January 1978 and it has not been in operation long enough to evaluate it. If this money is not appropriated, the program will be off the air when the session begins next year.

Rep. Freeman asked how the people in his district would benefit from the program and Rep. Cowper replied that the service will be statewide in another year and one-half or two, if it is as successful as it is expected to be. It does seem unfair to those areas that are not a part of the pilot program while that pilot is being conducted, but it is unfortunately necessary to do it this way to find out if it is a feasible statewide program. Further comments and discussion regarding the program.

Rep. Cowper commented that the telecommunications projects that have been undertaken by the Legislature and the Gover-

nor's Office have received good response for the most part. This particular program is supposed to be available to everyone in Alaska eventually. The disparity is a necessarily unfortunate result of all pilot projects of its kind.

Chmn. Cowper called the members' attention to the fact that a motion to report out HB 295 had been made and they had not yet acted on it. There being no objection to the motion, it carried with a majority "do pass" recommendation.

*Reported Out
HB 295 -
"Do Pass"*

Chmn. Cowper moved to adopt a Letter of Intent to accompany the committee report stating, "House Finance Committee adopts the Letter of Intent appearing on Page 71 of the House Journal." There being no objection, the motion carried.

*Letter of
Intent*

Meeting adjourned at 11:52 a.m.

Adjourned

Tape H77-60, Log 1312
to Log 1662

4/13/77

HOUSE FINANCE COMMITTEE
Tuesday, April 15, 1977
3:50 p.m.

All members of the Committee were present except: Reps. Buchholdt, Gruening, Rhode. Joseph Henri, Attorney for the Budget and Audit Committee, and Jay Hogan, Director Legislative Finance, were also present.

The first bill for discussion was SCR 19. Mr. Hogan said it relates to the "legal" transfer of funds that occurred during the first half of the current fiscal year. It was drafted to provide standing to sue to the Budget and Audit Committee in its filed suit against the Governor.

SCR 19

Mr. Henri said a constitutional amendment was needed because current law infers that the legislature can't act without the entire House and Senate acting. The AG says the Executive can delegate, but the legislature can't do any delegating at all. The purpose of SCR 19 is to make sure the Committee is authorized to bring the suit.

Rep. Cowper moved and asked unanimous consent to report out SCR 19; there was no objection, it was so ordered.

reported
out

The next bill for discussion was SB 204. Mr. Hogan said the bill had been amended on the Senate floor. According to this bill the Budget and Audit Committee would be a co-equal partner in budget changes. Mr. Hogan said there were some possible changes that could be made in the bill. It's not clear that the Budget and Audit Committee has the authority to research revenue estimates. Language could be added to authorize the Budget and Audit Committee to make revenue estimates. Also, an effective date of July 1 should be added. Mr. Hogan said another point was severability. When this bill is finally passed out it should have a clear statement to make it clear that the AG may not pick and choose words to his liking so we are not faced with the same problem we were faced with in the budget act of last year. In other words, if the AG rules a section unconstitutional the whole thing is unconstitutional and not just the legislative portion.

SB 204

Rep. Cowper said he didn't think the Budget and Audit Committee would need special authorization to make revenue projections.

Rep. Cowper moved to report out a Finance CS for SB 204am that would incorporate Sections 1, 2, and 3 and add a non-severability section as number 5 and add Sec. 6 which would be an effective date of July 1, 1977. Rep. Duncan asked about the reason for adding Sec. 4. Mr. Hogan said the rationale was the concern that large blocks of funds can conceivably be moved from personal services to a contract situation. With the language, it's highly restrictive. It leaves no flexibility. It's not always contrary to public interest to move money from personal services to contractual. If the legislature gets 1, 2, and 3 on the books there will be enough legislation to be sure that 4 cannot be done. Rep. Duncan said he didn't think we should totally delete it.

Finance CS
reported out

There was no further objection to the motion to report out a Finance Committee Substitute for SB 204am; it was so ordered.

The next bill to be discussed was SB 119, a supplemental appropriation. Rep. Swanson moved to report out CSSB 119. There was no objection; so ordered. *SB 119
CS reported out*

The next bill for discussion was SB 228. Rep. Cowper said this was a positive step toward requiring minority hire for people doing contracts for the state. Rep. Haugen asked how many people they put to work last year. Mr. Barker answered that the audit that was done indicated that they were pretty successful in increasing minority hire on the pipeline. *SB 228*

Rep. Cowper moved to report out SB 228. There was no objection, it was so ordered. *reported out*

The State Investment Advisory Committee, HB 438, was next to be discussed. Mr. Rhode was present and said that at the request of the Speaker he had met with Mr. Edenso to review a proposed supplemental request. It had been necessary during the interim to ask for additional consulting work from Price Waterhouse. Fees will come to over \$9,000. The reason for the supplemental approach is to not lose the time between now and July 1. The amounts were cut \$1,000 from the original request. Rep. Freeman asked about the board members. Mr. Rhode explained that they are appointed by the Governor. *HB 438*

Rep. Freeman moved to report out HB 438 and asked unanimous consent. Rep. Swanson objected, the motion carried. So, HB 438 was reported out with a do pass recommendation. *reported out*

The meeting was adjourned at 4:35 p.m.

Tape H 77-61
0000 - 1062

HOUSE FINANCE COMMITTEE
Monday, April 18, 1977
1:25 p.m.

All Committee members were present. Also present were Milt Barker, Fiscal Analyst, Legislative Finance, Senator Poland, Commissioner Gallagher, Dept. of Revenue, Fred Boness, Dept. of Law, George Silides, Consultant, Resources Committees, Henry Pratt, Alaska Consolidated Shipping, Donald Wold, Executive Director, Alaska Oil and Gas Advisory Board, Jim Edenso, Department of Revenue, Richard Alexander, Division of Treasury, David Gray, Administrative Assistant to Senator Ferguson, and Milton Lipton, Levy Consultants.

Discussion of SB 274am

*Discussion
of SB274am*

Senator Poland explained that SB274 would allow the state to take a one-year contract, rather than being forced to take our royalty in-kind. If we let it go to the producers, or if it becomes co-mingled with the pipeline, we will lose

Sen. Poland

(Reference to copy of letters from Sen. Gravel, Congressman Don Young and Senator Stevens to the Alaska Royalty Oil and Gas Advisory Board, copy attached)

Discussion regarding the FEA regulation providing that any agreement would have to be with the first purchaser and the unlikelihood of a ruling by the FEA making exception for Alaska. The purpose of the regulation is to protect the small refineries.

(Chmn. Cowper requested that the unexpected persons present wishing to testify regarding this bill make a very brief presentation and present them with a summary since the Committee must not delay this bill further.)

George Silides, Consultant, Resources Committees, made a brief statement. Taking in-kind would not preclude the state from entering into contracts with the major producers. The Federal Energy Administration would allow the State to make agreements with first purchasers and second purchasers if the State knows who they will be at the time of the first purchase. There is a regulation that would prohibit using the offices of a third party to make the contract. There is a request in to the FEA to permit it and it would have to alter policy to do that.

*Mr. Silides,
Resources
Committees*

Lipton, Levy Consultants, said he is very much appreciative as to the state's interests in protecting itself, but that he is not certain that, at this stage, how important it is to protect the state regarding the royalty oil. The pur-

*Mr. Lipton
Levy Consul-
tants*

pose is to protect yourself against an uncertainty. The established statutes provide that the State would take its royalty oil on a need basis. As one looks ahead, the tightness in the crude oil situation may in effect lead to some form of reallocation of the right. It does, therefore, make sense to protect yourself against that possibility.

Sohio will be a major competitor. If they are constantly taking royalty oil and selling it FOB they will always be prepared to make the kinds of contracts they are now. There is a great deal of uncertainty of whether the state can always realize its value from the short-term crude oil, as it could by its royalty in-kind.

Fred Boness, Assistant Attorney General, primarily working with the Department of Natural Resources - Think there is a great deal of misunderstanding about the procedures involved. Alaska Statutes 38.05.102 and 38.05.610 create a preference in favor of taking the royalty in-kind and selling for uses within the state. The Royalty Board is aware of this preference and has acted accordingly. It would be unfair to say that we have had people proposing to build and pay premium prices for a long term contract. Once the State decides to take its royalty in-kind it will be obliged to take it immediately. So, it must be prepared. Some ambiguities in the bill are that it is not clear whether the Commissioner can make sales without legislative approval, and if it is the intent that the Commissioner obtain approval of the legislature when he determines to sell the royalty oil or when he determines to take the monies.

*Mr. Boness,
Dept. of Law*

It is our opinion that the bill should provide for exceptions to be made allowing the Commissioner to sell without legislative approval at times. Believe the language is too narrow in this regard. There may be situations arising where an emergency sale is desirable even though the storage capacity level has not been met. Even if we do have 30-60 days storage capacity remaining, there is no reason that we should not be able to act on the first day. The bill is unclear as to what storage capacity is. The way to solve the problem would be to allow one-year contracts without legislative approval. If that is too broad, the other way would be to clearly define emergency sales and storage capacities. With respect to gas being produced, it does pose some problem. (Reference to contract for sale of royalty gas.) If this provision became law, we would have to take all of the gas royalty in-kind. This would pose a problem with present oil and gas production. If this were to be enacted, we would have between 50 and 20 days to negotiate a contract and bring it before the

4/18/77

legislative for approval and an obligation to take 75,000 barrels of oil with no contract and no purchaser. Regarding the clause which allows us to not take royalty in-kind, the language "best interest to the state" does not provide adequate guidance. If the Commissioner is required to obtain legislative approval, it will pose serious problems for the Commissioner in making decisions himself and to wait for the legislature to come into session for approval will create a tight time frame in which to act. Adequate standards should be set out for the Commissioner to know whether the legislature would or would not approve.

This legislation would be a grave mistake if the FEA rules favorably. It would mean that we would have to take our royalty oil immediately.

Commissioner Gallagher, Department of Revenue, said this legislation is "one of the biggest giveaway programs" he has ever seen before the legislature. It is important to understand the distinction between value and price. Value is what you could have gotten, not what you did get. Currently on the West Coast market there will be 1,200,000 barrels a day. There will be a 600 barrel surplus. \$1.50 per barrel would be the difference per barrel for the transportation. ARCO and SOHIO will be suffering the \$1.50 charge for the transportation. ARCO will be the most advantageous dealer. We will not pay the transportation to the Midwest or California. SOHIO has no refineries in the Northwest. The state would have to pay to get the oil from Prudhoe Bay to the SOHIO refineries with this bill.

*Comm. Gallagher,
D/Rev.*

Discussion and comments regarding feasibility study of constructing, engineering, and operating desulphurization plants.

Henry Pratt, Alaska Consolidated Shipping, commented that the state will decide on a proposal that has been made for a contract with Alaska Consolidated Shipping to ship the royalty oil. If they are successful in entering into a contract, at that time they will decide to go forward either by value or in-kind. Alaska Consolidated Shipping is owned by six native corporations. They have no quarrel with the Administration by and large, but there are some differences of opinions on various matters; question as to the state's oil being subject to mandatory FEA regulations; question regarding notification of purchasing royalty in-kind or value. Alaska Consolidated Shipping's position is (1) if the state takes its oil in value initially, it will never get the oil back, (2) the FEA will not be timely with a decision, and (3) the state will never get the full value, if taken in-kind, since it could be tied up in legal battles for years.

*Mr. Pratt,
Alaska Consolidated
Shipping*

Chmn. Cowper thanked everyone for attending and for their presentations to the Committee and called a recess - 3:20.

Recess

Meeting reconvened at 3:45 p.m. without a quorum. Chmn. Cowper said he would like to take up HCR 43.

Discussion of HCR 43

*Discussion
of HCR 43*

HCR 43 is for approval of an extension of the Tesoro-Alaskan Petroleum Company agreement to purchase royalty crude oil taken in-kind.

Chmn. Cowper asked Mr. Donald Wold, Executive Director, Oil and Gas Advisory Board, why it is in the best interest of the state to approve this extension. Mr. Wold responded that the original contract did not provide for an extension. It came to the state's attention last October, the contract was due to expire at the end of this year. It also came to our attention that we must make a decision of whether or not to purchase royalty in-kind oil. The original purpose of the contract was to build a refinery to provide for in-state needs.

*Mr. Wold,
Oil & Gas
Advisory
Board*

(Other Committee members arrived (3:55 p.m.) making a quorum.)

Chmn. Cowper informed the members that Wil Condon, who is with the Department of Law, and has done extensive work in this matter, was in attendance and available to give answers to questions they might have.

*Mr. Condon,
Dept./Law*

Mr. Condon gave a background and history of the matter.

Chmn. Cowper asked if there had been any attempt to look into a price adjustment and negotiation for a better contract. Mr. Wold answered that the price was already fixed and there wasn't much that could be done about it. The reason for the request for extension is to give the state one year to look into a long-term contract possibility.

Chmn. Cowper thanked Mr. Wold and Mr. Condon for their attendance and assistance. Discussion between the Committee members.

Motion to report out HCR 43 was made. Rep. Freeman suggested that a Letter of Intent providing that some effort be made in the negotiations to secure some benefits to the Alaska consumer, including but not limited to lower fuel prices and greater availability of petroleum products, be adopted to accompany the committee report.

*LETTER OF
INTENT*

Chmn. Cowper instructed Rep. Meekins to draft a Letter of Intent to the effect of Mr. Freeman's suggestion. Chmn. Cowper said there is a motion before the Committee to report out HCR 43 and asked if there was objection. There was objection for the purpose of fur-

ther discussion. The objection was withdrawn and the motion then carried.

Report Out
HCR 43 w/Let-
ter of Intent

Referral of SB274

Chmn. Cowper said, for the purposes of the record, he is referring SB 274 to the Way and Means Subcommittee and he would like a recommendation from that committee by the end of the week.

Referred
SB 274am to
Subcommittee

Discussion of SB 43

Jim Edenso, Department of Revenue, explained the purpose of SB 43 and that, primarily, it would change the investment authority of the Commissioner of Revenue for retirement funds.

Discussion
of SB 43

Mr. Edenso,
Dept./Rev.

Richard Alexander, Division of Treasury, explained some aspects of the bill.

Mr. Alexander
Div./Treasury

(Changed tape - H77-63 - 4:30 p.m.)

Rep. Freeman made a motion to report out SB 43 with a majority "do pass" recommendation. There being no objection, the motion carried.

Report Out
SB 43 - "do
pass"

Discussion of HB 121

Discussion
of HB 121

Chmn. Cowper referred to a letter from Governor Hammond regarding Isackson v. Rickey. Bill was originally Mr. Guy's. There is a Resources Committee Substitute.

David Gray, Administrative Assistant to Senator Ferguson, explained that the bill was originally intended for the Bristol Bay area. Came to attention by a letter from Legal Services that there is a necessity for an outreach program to help fishermen in the villages to fill out the application forms required by the Limited Entry Commission. The expansion of the program to cover the statewide need brought the figure up to \$38,000.

Mr. Gray

Rep. Duncan made a motion to report out the Resources CS for HB 121. There being no objection, the motion carried.

Report Out
Resources CS
for HB 121

Meeting adjourned at 4:55 p.m.

Adjourned

Tape H77-61, Log 1806,
H77-62, to H77-63, Log 0218



JUNEAU ALASKA

Alaska State Legislature

Attachment to
Minutes 4/18/77
1:30

MEMORANDUM

TO: Representative Steve Cowper
Chairman
House Finance Committee

April 6, 1977

FROM: Senator Kay Poland *KEP*
Chairman
Senate Resources Committee

Re: SB 274

On April 5, there was passed on to the House Finance Committee Senate Bill 274, dealing with the taking of State royalty oil and gas in kind. Alaska's entire congressional delegation had earlier recommended the taking of royalties exclusively in kind as an aid to meeting the FEA's Mandatory Allocation Regulation.

There is an urgency to this measure not normally called for in legislation if it is to be of any assistance. Some reports indicate that April 15 will be none to soon, because of Alyeska's plan to begin placing oil into the pipeline for testing purposes, though May 1, is generally accepted as a deadline.

The latest information we have on the Mandatory Allocation problem is that though we can enter into a valid take back provision with the producer, such an agreement is not binding on any subsequent purchaser. The waiver given in the Bill will enable the Commissioner to either independently seek out alternative buyers on the State's account or join with producers and subsequent purchasers in termination agreements at the time of the contract, as appears to be a condition of the FEA if it is to allow such a supplier/purchaser agreement. At the present time the FEA will allow the State to enter into such agreements with the producers or with subsequent purchasers, but will not allow the producers to obtain the agreement with subsequent, unknown, purchaser on behalf of the State. The waiver requested of the FEA by the State is a setting aside of major national policy designed to protect small refineries from exactly the terms the State wishes the producers to impose. Both Governor Hammond and Attorney General Gross had indicated to me that the requested waivers would arrive by April 1. To this date the waiver has not arrived.

Memorandum to
Representative Steve Cowper

-2-

April 6, 1977

Senate Bill 274 is identical to Senate Bill 174 of the Ninth Legislature. That Bill passed the Senate 18-2 in 1975, but died in House Resources because of the vigorous opposition by the former Commissioner of Natural Resources, Guy Martin. It was, and is, the intent of the Bill to indicate Alaska's intent to control the disposition of its resources from the wellhead to the market place. It was, and still is, the intent that if the Administration cannot make up its mind in the matter, the Legislature should end the indecision. Had the Bill been allowed to pass last year, there would not have been the need to ask for special consideration within the Prudhoe Bay Unitization Agreement to allow the initial taking in kind to be accomplished with 30 days notice instead of 180. The Bill continues to allow the taking of oil in value if the Commissioner, with the approval of the Board and concurrence of the Legislature, determines that taking in money is to the best interests of the State. Otherwise, it must be taken in kind.

The present Bill actually lessens some of the restrictions on the Commissioner and the Board, in that it waives legislative approval for non-renewable contracts not exceeding one year. This will be helpful to the State in meeting the yet unresolved problem of complying with the Mandatory Allocation Regulations of the FEA.

KP:ke

cc: All members - House Finance
Press

United States Senate

WASHINGTON, D.C. 20510

8

February 22, 1977

Alaska Royalty Oil and Gas
Advisory Board
Pouch M
Juneau, Alaska

Dear Gentlemen:

The purpose of this letter is to urge you to reach a decision soon on a proposal for disposition of the State's royalty crude oil. I also want to express my view that the best interests of Alaska lie in taking its oil in kind rather than in value.

Alaska must seek to retain control over its royalty oil. By retaining control, the State will have a powerful lure at its disposal to spur new industrial development within Alaska, so that all Alaskans can benefit from lower priced petroleum-based products, a larger tax base, new jobs, and a generally stronger State economy.

After analyzing federal energy law, and particularly the petroleum allocation program, I have concluded that State control of its royalty oil may be lost if the State at any time elects to take its royalty in value, rather than in kind. Therefore, I strongly urge the Royalty Oil and Gas Advisory Board to adopt the policy that the State should exclusively take its royalty oil in kind. Furthermore, the Board should concentrate its efforts on negotiating royalty oil sales contracts with the bidder (or bidders) that will give the State the maximum amount of control while still paying prevailing market price for our oil.

Sincerely,



Mike Gravel
United States Senator

cc: Governor Jay Hammond

9
February 21, 1977

Alaska Royalty Oil and Gas Advisory Board
Pouch M
Juneau, Alaska

Dear Royalty Board Members:

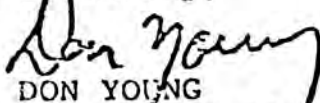
Within six to nine months, Prudhoe Bay will begin to produce the crude oil we have so long awaited. Despite the years of notice we have had, no determination has yet been reached by the Board regarding the disposition of Alaska's royalty oil. I am writing today to urge that a decision be expedited and that a proposal be presented to the people of the State in the immediate future. I would also like to recommend that the State take its royalty oil in kind from the commencement of production and at all times thereafter. By doing so, the State will retain its best hope of averting federal government control over Alaska's royalty oil.

The revenues received by the State for its royalty oil taken in value or in kind should be the same.

I hope that the Board will act quickly on this matter. I and my staff will be glad to aid you in any way we can. We are most interested in your decision.

With best wishes,

Cordially,



DON YOUNG

Congressman for all Alaska

cc: Governor Jay Hammond

United States Senate

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TED STEVENS, ALASKA
HENRY BELLMON, OKLA.

COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
WASHINGTON, D.C. 20510

February 23, 1977

Guy MacLean, Jr.
~~Mr. Don Triplehorn~~
Alaska Royalty Oil and Gas Advisory Board
Pouch M
Juneau, Alaska 99811

Dear Don:

The future of Alaska is directly related to the decisions it makes regarding the development and use of its natural resources. State budgets, taxes, job opportunities, population growth and many other facets of Alaskan life will be impacted by important natural resources decisions, such as the way we choose to dispose of our Prudhoe Bay royalty oil and gas.

With regard to our royalty gas, we have made substantial progress in determining its purchasers and the terms under which the gas will be sold. We also have the advantage contained in Section 13(b) of the Alaska Natural Gas Transportation Act which allows the State to withdraw its royalty gas for in-State use when it so desires.

Unfortunately, our royalty oil picture is not nearly as clear and consequently, in my opinion, a great threat to Alaska's future welfare exists. North Slope oil production will begin in approximately six months, giving the State little time to review and assess the disposal approach that the Board will eventually propose. There is too much at stake to put off a decision on the use of the Royalty oil. The Board should also assign high priority to maintenance of State control over its royalty oil. We must seek to preserve the same in-State withdrawal rights for our royalty oil that we have for royalty gas.

Mr. Don Triplehorn
Alaska Royalty Oil and Gas Advisory Board
Page 2

My reading of the Emergency Petroleum Allocation Act, along with the dealings my staff has had with the Federal Energy Administration, leads me to the conclusion that our best hope resides in taking our oil in kind from the initial drop pumped and then selling it to bidders who will, via contract, give us maximum assurances that we can withdraw our oil without opposition from them or FEA.

It is my feeling that the sale should be designed in a way which clearly establishes a market price for our oil in Alaska. Under the present situation the value of our royalty share will vary depending on where the oil is transported. This would be an accounting nightmare and most unfortunate for Alaska. I think the state can sell the oil, at Valdez, establish a marketprice which does not depend on where the oil is sent and therefore protect our states interest.

I hope the Board will move promptly to claim the royalty oil and sell it. I look forward to working with you on this important matter.

With best wishes,

Cordially,



MIKE STAVENS
United States Senator



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

MAR 31 1977

DEPUTY ADMINISTRATOR

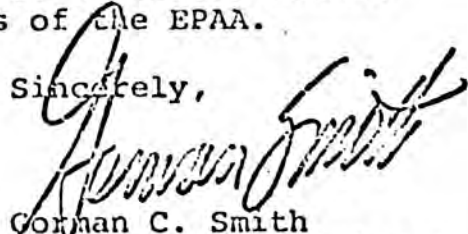
Mr. Frank Wood, Jr.
President, Pride Refining, Inc.
P. O. Box 3237
Abilene, Texas 79604

Dear Mr. Wood:

This letter confirms our telephone conversation of March 28 in which I stated that if the Federal Energy Administration (FEA) determines at some future date that allowing the State of Alaska to change the treatment of its royalty oil from north slope production would be consistent with the objectives of the Emergency Petroleum Allocation Act (EPAA), the mere existence of the current rule with respect to supplier/purchaser relationships would not be permitted to preclude such a change.

You understand, of course, that FEA cannot at this time commit to any specific action with respect to any proposed project. Rather, this is to assure you that the mere existence of the currently effective supplier/purchaser rule for crude oil will not by itself be permitted to frustrate a project otherwise deemed consistent with the objectives of the EPAA.

Sincerely,


Gorman C. Smith
Actg Deputy Administrator



FEDERAL ENERGY ADMINISTRATION

WASHINGTON, D.C. 20461

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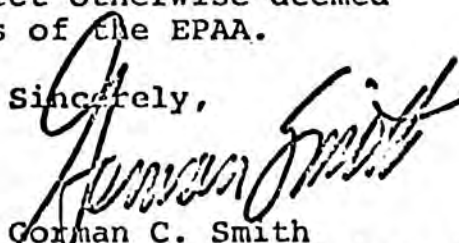
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Norman C. Smith
Actg Deputy Administrator